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Announcement

NeuroSearch A/S Financial Statements 2008

The Board of Directors of NeuroSearch A/S today considered and adopted the audited financial statements for the year ended 31 December 2008.

In 2008, the NeuroSearch Group posted a consolidated operating loss of DKK 366.0 million (2007: DKK 253.5 million), which was a slightly lower loss than the previously announced financial guidance for 2008 of a loss before financials in the region of DKK 400 million. NeuroSearch posted a loss after tax of DKK 382.0 million (2007: DKK 268.4 million).

Through 2008, NeuroSearch took important steps towards attaining its primary goal of bringing new and better drugs to the market. Most important was the initiation of a pivotal clinical Phase III programme with ACR16, which is being developed as a novel treatment of Huntington's disease. NeuroSearch holds all rights to ACR16 and believe the product to be of high value and to have a very attractive commercial potential. NeuroSearch also added to the extensive clinical data package behind tesofensine for the treatment of obesity, further strengthening and advancing the drug towards initiation of Phase III development.

Another late-stage product, ABT-894, in development under a collaboration with Abbott, saw mid-2008 positive results from a Phase II study in adult patients with ADHD.

NeuroSearch is pursuing a strategy of continuous pipeline expansion and risk sharing, while striving also to secure sufficient financing of its drug discovery and development activities until the first product is on the market. This has led to the signing of two important agreements with GlaxoSmithKline and Eli Lilly and Company (Lilly) in the beginning of 2009.

The current capital resources including research funding from partners are expected to finance the company's ongoing discovery and pipeline activities until the second half of 2010. It is NeuroSearch's goal to secure sufficient funding through partnerships until ACR16 is ready for market launch in 2011.

Key pipeline milestones in 2008:

<u>ACR16 – Huntington's disease</u>

- Treatment of the first Huntington patients in MermaiHD, a European Phase III clinical study and, thus, start-up of a comprehensive pivotal Phase III programme with ACR16.
- FDA approval and the start-up of HART, a clinical Phase IIb study in North America and part of the ongoing pivotal Phase III development programme with ACR16.

<u>Tesofensine – Obesity</u>

- Positive results from TIPO-2, a clinical metabolic study in overweight subjects showing significant weight loss.
- A complete analysis of data from TIPO-1 (a Phase II clinical Proof of Concept study).

- Positive mid-term results from TIPO-4 (a 48-week Phase II extension study of TIPO-1) – and later, in 2009, confirmatory results from the full TIPO-4.
- Positive results from an abuse liability study with tesofensine.
- Publication of TIPO-1 results in the peer reviewed scientific journal, The Lancet.
- Positive results from a cardiovascular evaluation study supporting tesofensine's good safety profile.

Other products in development

- Initiation of a Phase I clinical study of NSD-788 with a view to developing this drug candidate as a new treatment for anxiety.
- Positive Proof of Concept results from a Phase II study of ABT-894 for the treatment of adults suffering from ADHD was reported in June 2008. ABT-894 is licensed to Abbott.
- Successful completion of Phase I studies with ACR325 and the decision to advance clinical development of the drug in Parkinson's dyskinesias.
- Successful completion of Phase I studies with ACR343. Phase II development is expected initiated in 2009.
- Selection of two new product candidates from NeuroSearch's drug discovery activities; NSD-847, a dopaminergic stabiliser for the treatment of psychoses and NSD-867, a cortical enhancer for the treatment of ADHD.

Business events in 2008:

- In January 2008, NeuroSearch issued 185,755 new shares at DKK 319.21 per share to the sellers of Carlsson Research AB as a milestone payment in connection with the start-up of Phase I clinical studies of ACR343.
- Two new members were elected to NeuroSearch's Board of Directors, both with broad experience from the international pharmaceutical industry: Dr. Anders Ullman, Executive Vice President, Nycomed Altana GmbH and Dr. Gerard van Odijk, President & CEO of Teva Pharmaceuticals Europe B.V. Further, Thomas Hofman-Bang, CEO of NKT Holding A/S was elected new chairman of the Board.
- NeuroSearch's associated company NsGene A/S (25% interest) reached an important milestone with its successful Phase Ib dosing of NsG0202 in Alzheimer patients.
- In May 2008, NeuroSearch issued 300,000 new shares in a directed offering subscribed for by institutional investors at a price of DKK 280 per share to finance an ACR16 Phase III related milestone payment of SEK 100 million (approximately DKK 80 million/approximately EUR 10.7 million) to the sellers of Carlsson Research AB.

Important events after 2008:

- In January 2009, NeuroSearch announced an expansion of the alliance agreement with GSK, adding a number of novel compounds to the existing portfolio of drug candidates in development under the collaboration. The expansion included a conditional share put option for NeuroSearch to sell shares to GSK totalling up to DKK 149 million (EUR 20 million) until the end of November 2010. Under the collaboration, NeuroSearch may receive milestone payments from GSK of more than DKK 6 billion plus double-digit royalties on global sales of products from the alliance.
- In February 2009, NeuroSearch reported the results from Phase II studies with ABT-894 in diabetic neuropathic pain, conducted and financed by Abbott under an existing license collaboration. In the studies, ABT-894 was well tolerated and demonstrated a good safety profile, but the drug's effect on pain reduction did not support continued development in neuropathic pain.

- Further in February 2009, NeuroSearch announced a new three-year drug discovery and development alliance with Lilly focusing on new CNS therapeutics based upon defined ion channel targets. Under the alliance, NeuroSearch is eligible to receive upfront payment and research funding of up to USD 30 million (DKK 175.1 million) over three years plus substantial milestone payments and sales royalties on any product from the alliance.
- On 23 February 2009, NeuroSearch announced the results from two Phase II Proof of Concept studies with NS2359 in Major Depressive Disorder, which were conducted by GSK under the existing collaboration. The results showed no statistically significant effect from treatment with NS2359 compared to placebo and no further development of the drug will be pursued in this indication.
- On 2 March 2009, NeuroSearch regained global rights to ACR16, in Phase III development for the treatment of Huntington's disease, following former license partner Astellas' decision to discontinue development of ACR16 in schizophrenia after a strategic assessment of the potential for the compound in this indication.

Outlook for 2009
NeuroSearch expects a loss before financials and other shares of results in the region of DKK 350 million.

Flemming Pedersen
CEO

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Teleconference

A teleconference will be held today at 3 pm Copenhagen time (2 pm London time, 9 am New York time). Flemming Pedersen, CEO, Anita Milland, Vice President, CFO and Hanne Leth Hillman, Vice President, Director of IR & Corporate Communications, will present the 2008 announcement and answer questions. The telephone conference will be conducted in English and the telephone number is +44 (0)20 7162 0077. The corresponding PowerPoint presentation will be available via www.neurosearch.com.

NeuroSearch - Company profile

NeuroSearch (NEUR) is a Scandinavian biopharmaceutical company listed on Nasdaq OMX Copenhagen. The company's core business covers the development of novel drugs, based on a broad and well-established drug discovery platform focusing on ion channels and CNS disorders. A substantial share of NeuroSearch's activities is partner financed through an alliance with Eli Lilly and Company and collaborations with GlaxoSmithKline (GSK) and Abbott. The drug pipeline comprises 8 clinical (Phase I-III) development programmes: ACR16 for Huntington's disease (Phase III), tesofensine for obesity (Phase III ready), ABT-894 for ADHD (Phase II) in partnership with Abbott, ACR325 for Parkinson's disease (Phase II ready), ABT-107 and ABT-560 for the treatment of various CNS disorders – both (Phase I) in collaboration with Abbott, ACR343 for Parkinson's disease (Phase I) and NSD-788 for anxiety/depression (Phase I). In addition, NeuroSearch has a broad portfolio of preclinical drug candidates and holds equity interests in several biotech companies.

Important step on the road towards product launch - and continued focus on pipeline growth

In 2008, NeuroSearch took a very important step towards attaining its primary goal:

To develop and market new and better pharmaceuticals for the benefit of patients and their relatives and thereby develop a profitable and successful pharmaceutical company.

This was primarily achieved with the initiation of the pivotal clinical Phase III for ACR16, which is being developed as a new drug for the treatment of Huntington's disease, a severe hereditary disease for which no effective treatment is currently available. NeuroSearch holds all commercial rights to ACR16, and as Huntington's disease is a specialist indication, NeuroSearch plans to bring the product to market itself through a limited sales force and thereby retain the full value to the company. As part of these plans, NeuroSearch began to build up a focused sales and marketing organisation in 2008. The current Phase III studies for ACR16 are expected to be completed by the end of 2009.

For tesofensine for the treatment of obesity, several clinical studies were completed with positive results, which contributed further to strengthening the extensive data package which is to lead to the start-up of the Phase III in 2009.

With NS2359, which is being developed under a licence agreement with GSK, we did not obtain the desired results within depression and further development for this indication has been stopped.

ABT-894, which is being developed under NeuroSearch's collaboration with Abbott, showed favourable results in a Phase II study in adults with ADHD. ABT-894 has also been evaluated in phase II studies for the treatment of pain. The results hereof were published in February 2009 and showed that ABT-894 did not demonstrate sufficient efficacy. Abbott has therefore decided to discontinue further development within this indication.

NeuroSearch initiated a number of new clinical studies in 2008 and further we selected two compounds for preclinical development: NSD-847 for the treatment of psychoses and NSD-867 for the treatment of ADHD. Both development candidates are part of the portfolio of programmes under the development and licence agreement with GSK. The maturing of the product pipeline continued, and the 13 development programmes represent a very valuable portfolio of drug candidates.

Drug pipeline

NeuroSearch's pipeline comprises 13 development programmes for new pharmaceutical products that have all been generated through the company's own research and development. Out of the 13 programmes, eight are in clinical development (Phases I-III) and five have been selected with a view to initiating clinical studies of these candidates sometime in 2009 and the first part of 2010.

Indication	Programme	Mechanism	Partner	PC dev.	Phase I	Phase II	Phase III	NDA / Reg.
Huntington's disease	ACR16	Dopaminergic stabil.						
Obesity	Tesofensine	MRI						
ADHD	ABT-894	NNR modulator	Abbott					
Dyskinesias (PD)	ACR325	Dopaminergic stabil.						
Schizophrenia	ACR343	Dopaminergic stabil.						
Cognitive dysfunctions	ABT-560	NNR modulator	Abbott					
Alzheimer's disease	ABT-107	NNR modulator	Abbott					
Anxiety	NSD-788	MRI						
Pain	NSD-721	GABA modulator	GSK					
Autoimmune diseases	NSD-726	Ion channel mod.	GSK					
Schizophrenia	NSD-761	Ion channel mod.	GSK					
Psychosis	NSD-847	Dopaminergic stabil.	GSK					
ADHD	NSD-867	Cortical enhancer	GSK					

ACR16 – Huntington's disease: In pivotal clinical Phase III

ACR16 has demonstrated highly promising effects on a number of severe symptoms related to Huntington's disease. NeuroSearch develops ACR16 as a novel and specific treatment of Huntington's disease.

NeuroSearch holds all rights to ACR16, which has received "Orphan Drug" designation from the health authorities in both the United States and Europe.

NeuroSearch's goal is to complete the development of ACR16 as quickly as possible and bring the product to patients.

Phase III programme: MermaiHD and HART

The current Phase III programme for ACR16 comprises two studies: MermaiHD in Europe and HART in the United States/Canada.

MermaiHD was initiated in April 2008 and is a randomised, double-blinded, placebo-controlled Phase III study expected to enrol up to 420 patients with Huntington's disease. The study is being conducted at more than 25 centres in eight European countries. Patients in the study receive daily doses of either placebo or ACR16 (45 mg or 90 mg) over a period of six months.

HART is also a randomised, double-blinded and placebo-controlled study. The study is expected to enrol up to 220 patients who will be treated for three months with daily doses of either placebo or ACR16 (10 mg, 22.5 mg and 45 mg) – all twice a day. HART spans over about 25 centres in the United States and Canada.

Both MermaiHD and HART are progressing according to plan and are expected to be completed in 2009.

The primary endpoint for both studies is to improve the adverse motor symptoms (loss of motor skills) that Huntington patients experience such as Parkinsonism, gait stiffness and balance impairment. It has been demonstrated that these adverse motor symptoms

are closely linked to the gradual functional decline in these patients, and the primary endpoint of the studies has been accepted to be of significant importance to be the measurement of state of disease by both health authorities and clinical organisations. Secondary endpoints of the studies include an assessment of the general improvement in patients and the influence of the drug on behaviour, attention, depression symptoms and anxiety, in addition to an assessment of the safety and tolerability of ACR16.

Previous results and mechanism of action

The results from a Phase II Proof of Concept study of ACR16 in Huntington's disease showed that patients achieved a statistically significant improvement of their motor function after only four weeks of treatment with ACR16. The improvement achieved is estimated to correspond to a reversal of about 12 months' deterioration of the adverse motor symptoms of Huntington patients. In addition to a significant improvement of gait and Parkinsonism, patients treated with ACR16 also showed an improvement in attention and fewer psychiatric symptoms such as anxiety/depression.

ACR16 has been previously evaluated in clinical Phase Ib studies in Huntington's disease, Parkinson's disease and schizophrenia with favourable results. Moreover, ACR16 has been shown to have a very satisfactory safety profile.

ACR16 is the most advanced drug candidate in NeuroSearch's portfolio of dopaminergic stabilisers, i.e. compounds capable of both strengthening and inhibiting dopamine-regulated functions in the brain, depending on the base level of the dopamine activity.

Licence agreement with Astellas

NeuroSearch acquired ACR16 in 2006 in connection with the acquisition of Carlsson Research AB (now NeuroSearch Sweden AB). Prior to the acquisition, a licence agreement had been entered into with Japanese-based Astellas for the development of ACR16 for the treatment of schizophrenia and other disorders. Based on a strategic and commercial assessment, Astellas decided end February 2009 to discontinue the development of ACR16 for the treatment of schizophrenia. This means that all commercial rights will be assigned to NeuroSearch, including the rights to market ACR16 for Huntington's disease outside Europe and the United States, which was part of the licence agreement with Astellas. Given that NeuroSearch has successfully reached Phase III development for Huntington's disease, it is considered highly valuable to NeuroSearch to hold all commercial rights to ACR16.

Commercial potential

NeuroSearch considers ACR16 to be a highly attractive product opportunity, based on an overall assessment of the commercial potential within Huntington's disease. The estimated total number of patients suffering from Huntington's disease worldwide is approximately 100,000, and no effective treatment for the disease is currently available. ACR16 is one of the only new drugs in late-stage development for Huntington's disease.

NeuroSearch's management find that ACR16 can achieve sizeable revenue and earnings.

With a view to launching and marketing the product in house after registration, which is expected in 2011, NeuroSearch began to build up an in-house sales and marketing organisation in 2008.

Tesofensine – Obesity: Ready for pivotal clinical Phase III

Tesofensine is a new drug for the treatment of obesity which has demonstrated a unique effect in Phase II studies: Approximately10% weight loss after six months of treatment (TIPO-1) and approximately 13% after 12 months of treatment (TIPO-4). NeuroSearch believes that these results make tesofensine one of the most effective

anti-obesity products in late-stage development. In the course of 2008, NeuroSearch completed a number of supplementary studies which have contributed further to supporting the promising product profile of tesofensine and readied for pivotal Phase III development.

NeuroSearch plans an End of Phase II meeting with the FDA with a view to determining the final Phase III programme for tesofensine. At the same time, NeuroSearch is also in a dialogue with the European health authorities regarding the further development of tesofensine.

Medical treatment of obesity is predominantly handled through general practitioners, and the marketing of tesofensine would thus require a sizeable sales force. In accordance with its strategy within major disease areas, NeuroSearch intends to enter into a collaborative agreement with an international pharmaceutical company at a suitable point in time.

Previous clinical results

NeuroSearch has evaluated tesofensine in TIPO-1, a 24-week Phase IIb clinical proof-of-concept study in 203 overweight patients. In this study, the drug demonstrated an unusually strong weight loss effect which was subsequently confirmed by additional clinical results. Results from the TIPO-1 study showed a placebo-adjusted mean weight loss of 4.5%, 9.2% and 10.6% respectively in three dose groups (0.25 mg, 0.5 mg and 1.0 mg). In the study, tesofensine also proved to be well tolerated and to have a satisfactory safety profile.

The results from TIPO-1 were published in October 2008 in the highly international reputed scientific journal *The Lancet* with the conclusions that tesofensine can produce a weight loss at least twice that of currently approved anti-obesity drugs and that it should be further evaluated in pivotal Phase III studies.

NeuroSearch has also completed a placebo-controlled clinical metabolic study, TIPO-2, with tesofensine. Results from TIPO-2 showed that tesofensine significantly increases feelings of satiety and decreases the desire to eat while also impacting favourably on energy expenditure and fat metabolism in overweight and obese study subjects. These synergistic effects are likely to help explain the outstanding efficacy of tesofensine in body weight management while also demonstrating direct clinically relevant benefits in addition to the weight loss through improved metabolic rates.

In July 2008, NeuroSearch published interim results from TIPO-4, an ongoing, 48-week Phase II clinical extension study in 140 patients that had completed TIPO-1. The interim results showed that patients previously treated with placebo in TIPO-1 achieved an average weight loss of approximately 9 kg (in addition to the 2 kg they lost in TIPO-1), thus confirming the weight loss effect of 0.5 mg tesofensine seen in TIPO-1 under similar treatment conditions and duration. Furthermore, the TIPO-4 results provided the first long-term efficacy data on tesofensine, showing that patients previously treated with 0.5 mg tesofensine in TIPO-1 lost an additional almost 4 kg after the subsequent 24 weeks' treatment with 0.5 mg tesofensine in TIPO-4, corresponding to an average weight loss of 13 to 14 kg over a combined 48-week treatment period.

NeuroSearch has finalised the TIPO-4 extension study and evaluated data from the entire 48-week treatment period. Safety results show that treatment with 0.5 mg. tesofensine in up to 72 weeks is well-tolerated with only mild to moderate adverse events of similar nature as observed in TIPO-1. In terms of efficacy, the results indicate a levelling off of the weight loss effect after a total treatment period of 72 weeks (including the 24-weeks in TIPO-1) at a weight loss of 13-14 kg. The same pattern is seen with other weight reducing agents, only at much lower levels of weight loss.

The overall conclusion from both TIPO-1 and TIPO-4 is that tesofensine has a superior efficacy profile, having demonstrated the ability to induce an average weight loss, which is two to three fold higher than what is seen with existing anti-obesity medication.

Tesofensine has been studied in more than 1,400 persons of whom close to 1,200 were exposed to relevant therapeutic doses. Management believes the product to have a good and very well documented safety profile.

The full data package behind tesofensine will be discussed with health authorities during H1 2009 and on the basis of this the final Phase III strategy will be made.

Mechanism of action

Tesofensine is a monoamine reuptake inhibitor which blocks the reuptake of the neurotransmitters dopamine and noradrenaline and to a lesser extent serotonin; this increases the concentration of all three neurotransmitters in the brain. Dopamine, noradrenaline and serotonin are in different ways involved in the regulation of appetite and metabolism and thus in the body's own weight control.

Licence collaboration with Abbott for neuronal nicotinic receptor modulators (NNR):

ABT-894 - ADHD, ABT-107 - Alzheimer's disease and schizophrenia and ABT-560 - cognitive dysfunctions

The drug candidates ABT-894, ABT-107 and ABT-560, which are in clinical development under the Abbott collaboration, were all identified and selected under an earlier research alliance (1999-2006) between NeuroSearch and Abbott in the field of neuronal nicotinic receptors (NNR).

Under the terms of the agreement, Abbott is responsible for and finances all clinical development, production and marketing of all products under the collaboration and NeuroSearch is eligible to receive milestone payments and royalties on Abbott's global sales.

Abbott collaboration; ABT-894 – ADHD: In clinical Phase II

ABT-894 is an α4β2 subtype-specific NNR modulator which Abbott has evaluated in Phase II clinical studies for the treatment of ADHD and diabetic neuropathic pain.

In June 2008, NeuroSearch reported the Phase II results for ABT-894 for the treatment of adults with ADHD. The results were positive and showed that treatment with ABT-894 led to a statistically significant improvement in the symptoms of the adult patients as measured by aggregate scores on Conners' Adult ADHD Rating Scales (CAARS). The marketed product Atomoxetine (Strattera®) was included as an active control in the study, and the two compounds appeared to be comparable across efficacy measures. ABT-894 also proved to be safe and generally well tolerated.

Abbott is planning further development of ABT-894 for ADHD, including a supplementary Phase II study to evaluate the effects of this drug candidate in children.

Towards the end of 2008, Abbott completed the Phase II studies of ABT-894 for the treatment of pain, and the results were reported in February 2009. The studies showed that ABT-894 was very well tolerated and had a good safety profile, but that the pain-reducing effect of the compound was not sufficient to support continued development within neuropathic pain. Abbott has thus decided not to move ABT-894 forward in the pain programme.

Abbott collaboration; ABT-107 – Alzheimer's disease and schizophrenia: In clinical Phase I

ABT-107 is an α7-subtybe specific NNR agonist which Abbott is evaluating in Phase I clinical studies with a view to developing the drug as a better treatment for a number of CNS disorders, including Alzheimer's disease and schizophrenia. The Phase I studies are scheduled for completion in the first half of 2009.

Abbott collaboration; ABT-560 – Cognitive dysfunctions: In clinical Phase I

Abbott has also evaluated ABT-560, an α4β2 agonist in Phase I studies, with a view to developing this drug candidate for the treatment of cognitive disorders related to various CNS disorders, including ADHD and Alzheimer's disease.

ACR325 – Dyskinesias in Parkinson's disease: In clinical Phase I

In accordance with NeuroSearch's goal of building up a portfolio of specialist drugs, it has been decided to primarily develop ACR325 for the treatment of dyskinesias (involuntary movements) in Parkinson's disease that arise following long-term treatment with L-dopa, which is the standard treatment for advanced-stage Parkinson's disease

ACR325 has shown highly promising preclinical results and highly positive results from Phase I safety studies, and NeuroSearch has therefore drawn up a plan for the further development of the product for this specialist indication up to market registration. According to the plan, the first step will be a clinical study in Parkinson patients dosed with L-dopa until dyskinesias is observed. The primary endpoint of the study is to determine the tolerability and kinetics of ACR325 in Parkinson patients; the secondary endpoint is to measure the treatment effect on the dyskinesias. It is expected that this study will be initiated in the first half of 2009, and if satisfactory results are achieved, the plan is to initiate a Phase IIb study with a view to selecting optimal doses for Phase III.

Previous results

Phase I studies of the tolerability and kinetics of ACR325 were completed in 2008, with highly favourable results. Data from the studies showed that ACR325 has a linear and predictable pharmacokinetic profile after oral administration. The compound has also proved to be well tolerated in doses far beyond the expected treatment-relevant levels.

Mechanism of action

ACR325 is a dopaminergic stabiliser which has demonstrated promising effects in clinical models for motor disorders and in models for psychosis. The compound increases the levels of dopamine and noradrenaline in the forebrain and concurrently inhibits the over-activity of dopamine in other regions of the brain without this causing undesired inhibiting of voluntary movement. Results from preclinical Parkinson studies have demonstrated that ACR325 can prevent the complicated impairment of the motor system that occurs in Parkinson patients after treatment for some time with L-dopa, whilst also retaining the compound's beneficial therapeutic effect.

ACR343 - Schizophrenia

NeuroSearch completed Phase I studies of ACR343 in early 2009. The results were highly satisfactory, showing an excellent profile after oral administration and a highly satisfactory safety margin.

ACR343 has potential within a number of psychiatric and neurological diseases. Clinical Phase I has been successfully completed, and Phase II development is scheduled to start later in 2009.

Previous results and mechanism of action

ACR343 is a dopaminergic stabiliser and the third compound in NeuroSearch's pipeline for this class of compounds. The drug has demonstrated efficacy in preclinical models for a number of CNS disorders, whilst leaving the behaviour of normal animals

unaffected. The lack of inhibitory effects on normal motor activity is an essential feature of ACR16, implying that impairment of normal functions depending on dopamine transmission such as motion, motivation and reward are not likely to occur. This is considered to be a major advantage over current therapies for a number of diseases among these schizophrenia.

NSD-788 - Anxiety

NeuroSearch initiated Phase I clinical studies of NSD-788 in 2008 with a view to evaluating the safety and tolerability of the compound. The Phase I studies are progressing according to plan and are scheduled for completion in the first half of 2009.

In 2009 NeuroSearch expects to finalise Phase I and complete clinical PET studies to evaluate efficacy in different brain areas.

Based on studies in preclinical models, NeuroSearch believes that treatment with NSD-788 may potentially show significant advantages over existing drugs for the treatment of anxiety, but also of other CNS disorders including, in particular, various types of depression.

NSD-788 is a novel compound, having demonstrated a unique effect on the monoamine re-uptake systems in the brain with primary effect on serotonin and dopamine.

Preclinical drug candidates and selected research programmes

NeuroSearch's pipeline includes five preclinical development programmes which are all covered by our agreements with GSK.

GABA modulators: NSD-721 – Pain

NeuroSearch's research in GABA modulators has been focused on producing drug candidates which act as benzodiazepines on the GABA subtype receptors α_2 and/or α_3, but which have no or only a slight effect on the α_1 subtype. These compounds are assumed to have the same anxiety-reducing effects without the undesirable side effects of the benzodiazepines. NeuroSearch has succeeded in synthesising and characterising compounds with the desired profile, and the first two development candidates from the programme were selected by NeuroSearch in 2007. Unfortunately, development of NSD-708 had to be dropped due to various undesirable side effects, but NSD-721 still looks promising, and it is expected that the compound can be dosed for the first time in Phase I in 2009. NSD-721 has shown promising results in a number of models for anxiety, epilepsy and pain. GSK holds an option on NSD-721.

In parallel with this high-priority programme in α_2/α_3 selective GABA modulators, new drug discovery programmes have now been initiated focusing on other subtypes of GABA receptors. Drug candidates from this programme are expected to be targeting better treatment of epilepsy, pain and sleep disorders.

Dopaminergic stabilisers and cortical enhancers:

NSD-847 - Psychosis

Dopaminergic stabilisers constitute a new class of CNS-active compounds able to both enhance and inhibit dopaminergic effects in the brain depending on the base level of dopamine activity. Dopamine is an important neurotransmitter in the brain, and the dopaminergic system plays a key role in the regulation of motor function and behaviour. Dopaminergic stabilisers are thus able to stabilise motor and behaviour disturbances caused by neurological and psychiatric disorders. These effects on diseases do not involve any adverse effect on the normal processes in the brain.

The drug discovery programme for dopaminergic stabilisers has already produced development candidates ACR16, ACR325 and ACR343. NSD-847 is the latest

deliverable and has compared to the other three compounds an adjusted pharmacological profile and certain other features have been further improved.

NSD-867 - ADHD

NSD-867 belongs to the group of cortical enhancers, i.e. drugs with a relatively stronger effect in the cerebral cortex and in the deeper brain structures compared with dopaminergic stabilisers. This profile shows indications of being ideal as a drug for the treatment of cognitive disorders such as ADHD. Compared with existing medications for the treatment of ADHD and other kinds of attention disorders, cortical enhancers are expected to have a much better safety profile, with a reduced risk of developing psychoses, sleep disorders and obesity. NSD-867 has been selected as the first development candidate from the programme, and GSK holds an option for both this candidate and NSD-847.

Other preclinical development programmes

NSD-726 has been selected as the first preclinical development candidate from one of NeuroSearch's ion channel drug discovery programmes. The compound has demonstrated a promising effect in preclinical models of certain autoimmune diseases. NSD-726 is under preparation for clinical development with a view to developing the compound to treat a specific autoimmune disorder.

NSD-761 is a selective ion channel modulator and the latest development candidate that has been selected from NeuroSearch's drug discovery programmes. The compound has demonstrated promising efficacy in preclinical models of cognitive dysfunction associated with schizophrenia, dementia and depression.
GSK holds an option for both NSD-726 and NSD-761.

NeuroSearch's pain research

Over the past six years, NeuroSearch has worked on developing expertise in research into neuropathic pain, a very widespread and insufficiently treated type of pain.

Several of our drug discovery programmes are pointed at neuropathic pain as a target for the drugs being developed. One example is the GABA project, which has NSD-721 in preclinical development. Another compound from the project, NS11394, has been used as a model compound in the drug discovery project, and our project group was able to publish breakthrough scientific data in 2008 in the peer-reviewed international *Journal of Pharmacology and Experimental Therapeutics*. The results showed, among other things, that by selectively affecting GABA receptors α_2/α_3 subtypes is it possible to obtain a relief of neuropathic pain without showing any significant adverse effects on the coordination of movements. This indicates that compounds with this profile such as NSD-721 - will have a clearly improved efficacy/safety profile as compared with benzodiazepines such as Diazepam (Valium®).

This is currently used only in minor respects to pain because of the significant side effects.

Also the Kv7 project focuses on new drugs for the treatment of neuropathic pain. Kv7 is a group of potassium channels, and this drug discovery project concentrates on developing positive modulators of the subtypes Kv7.2 and Kv7.3. In 2008, the project group successfully characterised highly potent and selective compounds which have demonstrated exceedingly promising effects in preclinical pain models. We expect to be able to select the first development candidate from the Kv7 programme in 2009.

Affiliates and other equity interests

At 31 December 2008, NeuroSearch held equity interests in the following companies: NeuroSearch Sweden AB (100%), NsExplorer A/S (100%), NeuroScreen ApS (100%) and Poseidon Pharmaceuticals A/S (100%), NsGene A/S (25.9%), Sophion Bioscience

A/S (30.1%) and Atonomics A/S (18.8%), Bavarian Nordic A/S (1.3%), PainCeptor Pharma Corporation Inc. (2.3%) and ZGene A/S (20.9%).

NeuroSearch Sweden AB is based in Sweden and PainCeptor Pharma Corporation Inc. is based in Canada. All other affiliated companies are based in Denmark.

Financial review

The Annual Report 2008 includes the consolidated financial statements of NeuroSearch A/S, comprising the parent company and the four wholly-owned subsidiaries NeuroSearch Sweden AB, Poseidon Pharmaceuticals A/S, NeuroScreen ApS and NsExplorer A/S.

Liquidity and capital resources
Capital resources stood at DKK 481.5 million as at 31 December 2009, primarily consisting of term deposits and mortgage bonds.

In January 2008, NeuroSearch issued 185,755 new shares with a nominal value of DKK 20 each to the vendors of Carlsson Research AB at a price of DKK 319.21 each as a milestone relating to the first dosing of ACR343 in a Phase I clinical study.

In May 2008, NeuroSearch issued 300,000 new shares in a private placement to institutional investors at DKK 280 per share to fund a milestone payment of SEK 100 million termed of success to the vendors of Carlsson Research AB relating to ACR16 in Phase III.

Income statement
The Group posted a consolidated operating loss in 2008 of DKK 366.0 million (2007: DKK 253.5 million), which was a slightly lower loss than the previously announced forecast for 2008 of a loss before financials in the region of DKK 400 million.

NeuroSearch posted a loss after tax of DKK 382.0 million (2007: DKK 268.4 million).

The consolidated loss included a combined loss after tax of DKK 85.3 million (2007: DKK 61.9 million) from the subsidiaries NeuroSearch Sweden, Poseidon Pharmaceuticals, NeuroScreen and NsExplorer, of which activities in NeuroSearch Sweden accounted for a loss after tax of DKK 87.2 million (2007: DKK 54.6 million).

Revenue
Consolidated revenue for 2008 was DKK 66.8 million (2007: DKK 115.5 million), which consisted of revenue from the research and development partnership with GlaxoSmithKline (GSK).

Costs
Consolidated costs totalled DKK 432.8 million (2007: DKK 368.7 million), which represented an increase of DKK 64.1 million. The increase was primarily attributable to development costs relating to tesofensine (obesity) and ACR16 (Huntington's disease). The costs included a calculated expense of DKK 23.1 million (2007: DKK 20.6 million) of warrants granted in the years from 2005 to 2008.

Development costs increased from DKK 131.7 million in 2007 to DKK 176.9 million in 2008. Consolidated development costs in 2008 mainly concerned activities relating to tesofensine (obesity) and ACR16 (Huntington's disease).

Research costs and general and administrative costs were on a level with 2007.

Investments in associates
NeuroSearch's shares of the results of associates – NsGene A/S, Sophion Bioscience A/S, Atonomics A/S and ZGene A/S – are recognised in the income statement. The shares of results were a combined loss of DKK 18.6 million (2007: DKK 20.5 million).

Other financials
Other financials amounted to a net expense of DKK 21.1 million in 2008 (2007: DKK 12.8 million). This includes interest expense of DKK 7.3 million (2007: DKK 7.5 million) on loans secured on the company's property and the financial element of the contingent

consideration related to NeuroSearch Sweden AB of DKK 6.9 million (2007: DKK 11.4 million). The financial element of the contingent consideration has no impact on the cash flow statement. This line item includes net income of DKK 23.4 million (2007: DKK 4.0 million) on other financial items and fair value adjustments totalling DKK 10.2 million (2007: DKK 8.0 million) of available-for-sale financial assets. The DKK 8 million increase in the net expense was mainly attributable to negative returns on certain investment securities following the negative trend in the financial markets in general.

Income taxes
The NeuroSearch Group has tax assets of DKK 333 million (2007: DKK 240 million), of which DKK 61 million relating to NeuroSearch Sweden AB has been recognised and offset against the deferred tax liability relating to the Swedish activities. The increase in the tax asset in 2008 of DKK 33.9 million has been taken to the income statement. The remaining tax assets are not recognised in the balance sheet as it is still deemed that sufficient certainty has not been established as to whether the tax assets can be used for offset against future taxable income.

Allocation of loss
It is proposed that the year's consolidated loss of DKK 382.0 million be transferred to retained earnings.

Balance sheet
The balance sheet stood at DKK 1,245.8 million at 31 December 2008 (2007: DKK 1,780.6 million).

Net investments in property plant and equipment in 2008 totalled DKK 50.3 million (2007: 15.7 million). Of this amount, DKK 23.5 million (2007: DKK 1.8 million) was an investment in expanding the company's facilities in Ballerup, DKK 8.0 million was invested in the acquisition of the 9,000 square metres of land adjacent to the original plot of land, and the remaining DKK 18.8 million (2007: DKK 14 million) was primarily invested in technical equipment.

Cash and cash equivalents including securities and investments totalled DKK 453.4 million at 31 December 2008 (2007: DKK 845.3 million).

Statement of cash flows
The cash flow from operating activities amounted to a cash outflow of DKK 339.9 million in 2008 against a cash outflow of DKK 218.8 million for 2007.

The cash flow from investing activities was a net cash outflow of DKK 185.2 million compared to a net cash inflow of DKK 203.3 million in 2007.

The cash flow from financing activities was a cash inflow of DKK 56.3 million compared to a cash inflow of DKK 751.3 million for 2007.

Cash and cash equivalents amounted to DKK 237.1 million at 31 December 2008 (2007: DKK 727.5 million).

Statement of movements in equity
Consolidated equity was reduced by the consolidated net loss of DKK 382.0 million. Equity rose by a net amount of DKK 144.0 million from the share issues in the spring of 2008 and the capital increase made in connection with the exercise of warrants by employees.

Financial risks
For further details, see the discussion under "NeuroSearch's risk profile" in the Annual Report 2008. The annual report for 2008 is expected to be available no later than 9 March 2009.

Related parties
The members of NeuroSearch's Executive Management, Board of Directors, its subsidiaries and the associates NsGene A/S, Sophion Bioscience A/S, Atonomics A/S and ZGene A/S are considered to be related parties. The company also considers Bavarian Nordic A/S to be a related party.

Events after the balance sheet date
After the end of the financial year, NeuroSearch has entered into comprehensive drug discovery and development alliances with both Lilly and GlaxoSmithKline. Under the agreement with Lilly, NeuroSearch is entitled to receive up to USD 30 million (DKK 175.1 million) during the three-year term of the agreement, and under the agreement with GlaxoSmithKline, NeuroSearch is entitled to an undisclosed upfront payment. Under the agreement with Lilly, NeuroSearch is entitled to milestone payments of up to USD 320 million (DKK 1.9 billion) for each product that is successfully developed and marketed as well as royalty payments on global sales revenue for the products. Under the agreement with GlaxoSmithKline, NeuroSearch may potentially receive up to DKK 812 million in milestone payments until marketing as well as royalties on future sales.

Astellas has decided not to continue the development of ACR16 against schizophrenia. All rights will thereafter revert to NeuroSearch. The transaction has no effect on the income statement, but a contingent consideration liability of SEK 125 million (DKK 85.1 million), carrying amount DKK 56.0 million which NeuroSearch was committed to pay to the vendors of Carlsson Research AB in connection with the initiation of Phase II clinical studies by Astellas will no longer apply.

With NS2359, which is being developed under a licence agreement with GSK, we did not obtain the desired results within depression and further development for this indication has been stopped.

Outlook for 2009
NeuroSearch expects a loss before financials and other shares of results in the region of DKK 350 million.

Shareholder information

NeuroSearch's shares are listed on the Nasdaq OMX Copenhagen under securities identification code 1022466 (NEUR.CO) and has since January 2006 been included in the MidCap+ segment.

Share performance
On 30 September 2008, the closing price of NeuroSearch's shares was DKK 136 compared with a year-end price of DKK 326 in 2007, equivalent to a 58% price drop in 2008. By comparison, the OMX Copenhagen Healthcare Index (OMX Copenhagen Health Care) fell by approximately 43%, whilst the OMX Copenhagen All Shares index fell by approximately 60%.

Turnover of NeuroSearch shares in 2008 totalled approximately DKK 2.4 billion, and 9.8 million shares were traded during the year. This corresponded to an average daily turnover of DKK 9 million for the year. In 2007, turnover totalled approximately DKK 5.7 billion, and a total of approximately 23 million shares were traded.

NeuroSearch's market capitalisation on 30 December 2008 was close to DKK 2.1 billion compared with close to DKK 5 billion at year-end 2007.

Share capital
In January 2008, NeuroSearch issued 185,755 new shares with a nominal value of DKK 20 each to the vendors of Carlsson Research AB at a price of DKK 319.21 each as a milestone relating to the first dosing of ACR343 in a Phase I clinical study.

In March 2008, NeuroSearch issued 13,290 new shares with a nominal value of DKK 20 each related to the exercise of warrants granted in 2004. The new shares were subscribed under the warrant programme without pre-emption rights to the company's existing shareholders or others at DKK 248.39 per share.

In May 2008, NeuroSearch issued 300,000 new shares in a private placement to institutional investors at DKK 280 per share to fund a milestone payment relating to ACR16 in Phase III of SEK 100 million (approximately DKK 80 million/approximately EUR 10.7 million) to the vendors of Carlsson Research AB.

In September 2008, NeuroSearch issued 1,553 new shares with a nominal value of DKK 20 each related to the exercise of warrants granted in 2004. The new shares were subscribed under the warrant programme without pre-emption rights to the company's existing shareholders or others at DKK 248.39 per share.

In February 2009 NeuroSearch and Lilly entered a research and development agreement. As part of the payment Lilly will make an equity investment of USD 17 million (DKK 99.2 million). The investment comprise of 530,745 new shares in NeuroSearch of DKK 20 nominal value. The shares will be subscribed at a price of DKK 187 per share of a nominal value of DKK 20 each.

The Board of Directors continuously assesses NeuroSearch's capital and share structure to ensure that the company's financial resources can support its strategic goals.

Ownership structure
On 31 December 2008, NeuroSearch had 19,482 registered shareholders, who held a total of 12,148,408 shares. Registered shares accounted for 77% of the share capital. In 2008, NeuroSearch got an additional 1,062 registered shareholders, and the percentage of registered shareholders concurrently rose by 8%.

Since NeuroSearch's shares are bearer securities, no exact registration exists of the holders.

The following investors have notified NeuroSearch that they hold more than 10% of the shares in the company:

- ATP, Kongens Vænge 2, 3400 Hillerød

The following investors have notified NeuroSearch that they hold more than 5% of the shares in the company:

- Glaxo Group Limited, Berkeley Ave., Greenford, Middlesex, UB6 0NN, United Kingdom.
- OppenheimerFunds Inc., Two World Financial Center, 225 Liberty Street, 11th floor, 10281 New York, USA

NeuroSearch does not expect to declare a dividend until the company has achieved a sufficient capital base through company-generated earnings to warrant the distribution of dividends. This could take place through the development and commercialisation of the company's proprietary pharmaceutical products combined with earnings from collaborative agreements.

On 31 December 2008, the members of the Board of Directors, the Executive Management and the employees held shares in the company as shown below:

Shareholders	**Number of shares at 31 December 2008**
Thomas Hofman-Bang, Chairman	3,100
Allan Andersen, Board member	16,383
Torbjörn Bjerke, Board member	0
Anders Ullman, Board member	0
Gerard van Odijk, Board member	0
Lars Siim Madsen, employee representative	0
Torben Skov, employee representative	990
Mads P. Gersdorff Korsgaard, employee representative	818
Executive Management (5 persons)	65,693
Other employees	251,868
Total	**338,852**[1)]

1) Equivalent to 2.2% of the outstanding share capital of 15,743,285 shares at 31 December 2008.

NeuroSearch does not hold any treasury shares.

Warrant programme

NeuroSearch's warrant programme has been established in order to attract and retain highly skilled employees. In the planning of the programme, NeuroSearch has focused on ensuring that both new and existing employees see a direct relationship between the work they do and the progress made by NeuroSearch.

The members of the Board of Directors and the Executive management and other employees participate in the warrant programme. The programme is based on grants once a year in order to ensure balanced grants, taking into account each employee's performance, company performance and movements in the price of NeuroSearch's shares over time. The Board of Directors has resolved that the programme may not exceed 10% of the issued share capital at any time (at year-end 2008 the warrant programme amounted to 7.6% of the share capital). The exercise price is determined on the basis of the share price on the date of grant plus 10% per year during the vesting period. This ensures that shareholders get a reasonable return on their investment before the employees earn value on their warrants.

Warrants in 2008

On 27 August 2008, the Board of Directors decided to issue 350,000 warrants (13,500 warrants to members of the Board of Directors, 65,000 warrants to members of the Executive management and 271,500 warrants to other employees), entitling the holders to subscribe for shares with a total nominal value of up to DKK 7,000,000. The exercise price has been fixed at DKK 361 per warrant. There are three exercise periods, which are defined as four weeks after the publication of the following company announcements: Q3 2011 interim report, annual report 2011 and Q1 2012 interim report.

The following table shows the most important information about the warrants granted and outstanding:

Warrants granted in 2004, 2005, 2006, 2007 and 2008 made up at 31 December 2008							
Year	**Exercise price, DKK**	**Exercise period**	**Board of Directors**	**Executive Management**	**Other employees[1]**	**Total (DKK 20 each)**	**Market value [2]**
2004	248.39	March 2009	4,944	20,834	70,614	96,392	0.0
2005	181.23	May 2009 Nov. 2009 March 2010	7,416	28,672	122,008	158,096	2.2
2006	202.27	May 2009 Nov. 2009 March 2010	-	-	12,359	12,359	0.1
2007-I	380.84	May 2010 Aug. 2010 Mar. 2011	-	41,165[3]	204,151	245,316	1.0
2007-II	342.00	Nov. 2010 May 2011 Nov. 2011	14,777	63,331[4]	256,534	334,642	3.2
2008	361.00	Nov./Dec. 2011 March/Apr. 2012 Aug./Sep. 2012	13,500	65,000[4]	267,364	345,864	4.6
Total			**40,637**	**219,002**	**933,030**	**1,192,669[5]**	**11.1**

1) Warrants to other employees have been determined as a net figure less those of employees who are no longer with the company.
2) The market value has been determined in DKK million at the end of the exercise period. The calculation was made as at 30 December 2007 using the Black & Scholes model, applying an average market price of DKK 134.94 per share and a volatility rate of 44.09%, equivalent to the annual volatility of the price of NeuroSearch's shares over the last three years before the balance sheet date (Source: Danske Markets).
3) The grant was made to the Executive management consisting of four persons..
4) The grant was made to the Executive management consisting of five persons.
5) The aggregate warrant programme corresponds to 7.6% of the share capital at 31 December 2008.

Organisation

Head office at Ballerup, Denmark and subsidiary in Gothenburg, Sweden had 237 employees at 31 December 2008.

Annual report

The annual report for 2008 is expected to be available no later than 9 March 2009.

Financial calendar 2009

The annual general meeting will be held at the Radisson SAS Falconer on Wednesday, 29 April 2009 at 4 p.m. NeuroSearch expects to release its Q1 2009 report on the same date.

NEUROSEARCH

Financial highlights for the Group

(DKK million)	2004	2005	2006	2007	2008
Income statement:					
Revenue	122.3	176.5	66.3	115.2	66.8
Research costs	140.7	159.6	172.3	200.4	216.8
Development costs	21.3	17.6	54.8	131.7	176.9
Operating profit/(loss)	(62.0)	(22.3)	(186.7)	(253.5)	(366.0)
Financials	58.6	22.9	(25.5)	(41.3)	(49.9)
Profit/(loss) before taxes	(3.3)	0.6	(212.2)	(294.7)	(415.9)
Net profit/(loss)	(3.3)	0.6	(212.2)	(268.4)	(382.0)
Balance sheet:					
Total assets	656.1	633.0	1,267.5	1,780.6	1,245.8
Cash and cash equivalents and equity interests	436.9	403.4	387.0	845.3	453.4*
Equity	416.5	408.0	657.7	1,121.4	844.1
Investments in property, plant and equipment	14.8	13.0	12.9	15.7	50.2
Per share ratios (DKK):					
Earnings per share	(0.43)	0.07	(24.17)	(21.17)	(24.47)
Diluted earnings per share	(0.43)	0.07	(24.17)	(21.17)	(24.47)
Net asset value	53.81	51.71	53.38	73.57	53.61
Market price, year-end	235.0	171.5	321.5	326.0	136.0
Market price/net asset value	4.37	3.32	6.02	4.43	2.54
Average number of employees	175	185	199	230	242

* Capital resources, including unused credits, total approximately DKK 481.5 million, of which listed shares account for approximately DKK 13.2 million.

The ratios are stated in accordance with the guidelines in “Recommendations and Ratios” issued by the Danish Society of Financial Analysts.

NEUROSEARCH

INCOME STATEMENT for the year ended 31 December (DKK thousands)	**GROUP**	
	2008	**2007**
Revenue	66,766	115,206
Total revenue	**66,766**	**115,206**
Research costs	216,766	200,436
Development costs	176,885	131,747
General and administrative costs	39,115	36,478
Total costs	**432,766**	**368,661**
Operating profit/(loss)	**(366,000)**	**(253,455)**
Share of profit/(loss) of associates	(18,607)	(20,487)
Result of avaible-for-sale financial assets	(10,186)	(7,966)
Financial income	22,210	9,869
Financial expenses	43,336	22,686
Total financials	**(49,919)**	**(41,270)**
Profit/(loss) before taxes	**(415,919)**	**(294,725)**
Tax on profit/(loss) for the year	33,928	26,295
NET PROFIT/(LOSS)	**(381,991)**	**(268,430)**
Earnings per share, DKK	(24.47)	(21.17)
Diluted earnings per share, DKK	(24.47)	(21.17)

No dividend has been paid during this or earlier reporting periods.

NEUROSEARCH

BALANCE SHEET – ASSETS as of 31 December (DKK thousands)	**GROUP**	
	2008	**2007**
Goodwill	107,520	136,843
Development projects	448,327	584,941
Licences and patents	3,959	5,921
Land and buildings	131,106	124,739
Plant and machinery	39,696	36,465
Other plant and equipment	5,332	3,333
Technical plant prepayments	26,364	5,942
Investments in associates	8,175	9,018
Available-for-sale financial assets	2,539	9,965
Total non-current assets	**773,018**	**917,167**
Receivables from associates	863	437
Other receivables	18,515	17,741
Available-for-sale financial assets	13,213	29,330
Other financial assets at fair value through profit or loss	203,038	88,416
Cash	237,125	727,527
Total current assets	**472,754**	**863,451**
TOTAL ASSETS	**1,245,772**	**1,780,618**

NEUROSEARCH

BALANCE SHEET – **EQUITY AND LIABILITIES** as of 31 December (DKK thousands)	**GROUP**	
	2008	**2007**
Share capital	314,866	304,854
Reserve for currency translation	(51,538)	(4,744)
Other reserves	5,270	21,012
Retained earnings	575,460	800,282
Total equity	**844,058**	**1,121,404**
Deferred tax	65,446	137,648
Contingent consideration	44,214	48,125
Mortgage debt	138,110	105,721
Other long-term debt	28,414	19,172
Total non-current liabilities	**276,184**	**310,666**
Current portion of long-term debt	66,199	269,404
Deferred income	-	13,422
Trade and other payables	27,035	42,978
Other liabilities	32,296	22,744
Total current liabilities	**125,530**	**348,548**
Total liabilities	**401,714**	**659,214**
TOTAL EQUITY AND LIABILITIES	**1,245,772**	**1,780,618**

NEUROSEARCH

STATEMENT OF CASH FLOWS (DKK thousands)	GROUP	
	2008	2007
Net profit/(loss)	(381,991)	(268,430)
Adjustments	62,587	54,096
Change in working capital:		
Net change in receivables	(689)	(4,197)
Net change in current debt	(19,813)	(291)
Cash flows from operating activities	**(339,906)**	**(218,822)**
Payments to acquire property, plant and equipment	(50,269)	(15,716)
Proceeds from sale of property, plant and equipment	97	-
Investments in associates	(13,145)	(8,164)
Loan to associates	(2,490)	(4,008)
Payments to invest, in available-for-sale financial assets	(4,798)	(2,000)
Proceeds from sale of available-for-sale financial assets	-	2,795
Net change in securities (more than three months)	(114,622)	230,376
Cash flows from investing activities	**(185,227)**	**203,283**
Net proceeds from right issue	144,026	754,736
Payment of contingent consideration	(139,615)	-
Proceeds from long-term borrowings	58,760	11,646
Repayment of long-term borrowings	(13,761)	(13,590)
Financial payments received/(paid)	6,843	(1,524)
Cash flows from financing activities	**56,253**	**751,268**
Net cash flows	**(468,880)**	**735,729**
Unrealised gain/(loss) on securities	(20,442)	(959)
Net increase/decrease in cash and cash equivalents	**(489,322)**	**734,770**
Cash at 1 January	727,527	(7,211)
Foreign exchange adjustments of cash	(1,080)	(32)
Cash at 31 December	**237,125**	**727,527**
Cash and cash equivalents at 31 December	**237,125**	**727,527**
Securities at 31 December	203,038	88,416
Other available-for-sale financial assets at 31 December	13,213	29,330
Other capital reserves at 31 December	28,082	80,931
Capital resources at 31 December	**481,458**	**926,204**

The cash and cash equivalents of associates is not recognised in the consolidated financial statements. Total capital resources in associates consisting of cash and cash equivalents amounted to DKK 42.7 million at 31 December 2008 (DKK 33 million at 31 December 2007).

NEUROSEARCH

STATEMENT OF MOVEMENTS IN EQUITY – GROUP (DKK thousands)	Share capital*	Share premium**	Reserve for currency translation	Other re-serves	Retained earnings	Total
Equity at 1 January 2007	**246,390**	**0**	**5,145**	**54,261**	**351,873**	**657,669**
Fair value adjustment of available-for-sale financial assets	-	-	-	(33,249)	-	(33,249)
Exchange rate adjustment of net investment in foreign subsidiary	-	-	(21,750)	-	-	(21,750)
Fair value adjustment of hedge of net investment in foreign subsidiary	-	-	11,861	-	-	11,861
Net income for the year recognised directly in equity	0	0	(9,889)	(33,249)	0	(43,138)
Net profit	-	-	-	-	(268,430)	(268,430)
Total recognised income for the year	0	0	(9,889)	(33,249)	(268,430)	(311,568)
Rights issue:						
- proceeds from share issue	55,092	716,190	-	-	-	771,282
- costs of share issue	-	(42,962)	-	-	-	(42,962)
Employee warrant programme:						
- costs of share-based payment	-	-	-	-	20,567	20,567
- proceeds from share issue	3,372	23,176	-	-	-	26,548
- costs of share issue	-	(132)	-	-	-	(132)
Transfer	-	(696,272)	-	-	696,272	0
Equity at 31 December 2007	**304,854**	**0**	**(4,744)**	**21,012**	**800,282**	**1,121,404**
Equity at 1 January 2008	**304,854**	**0**	**(4,744)**	**21,012**	**800,282**	**1,121,404**
Fair value adjustment of available-for-sale financial assets	-	-	-	(15,742)	-	(15,742)
Exchange rate adjustment of net investment in foreign subsidiary	-	-	(75,076)	-	-	(75,076)
Fair value adjustment of hedge of net investment in foreign subsidiary	-	-	28,282	-	-	28,282
Net income for the year recognised directly in equity	0	0	(46,794)	(15,742)	0	(62,536)
Net profit	-	-	-	-	(381,991)	(381,991)
Total recognised income for the year	0	0	(46,794)	(15,742)	(381,991)	(444,527)
Rights issue:						
- proceeds from share issue	9,715	133,580	-	-	-	143,295
- costs of share issue	-	(2,850)	-	-	-	(2,850)
Employee warrant programme:						
- costs of share-based payment	-	-	-	-	23,155	23,155
- proceeds from share issue	297	3,390	-	-	-	3,687
- costs of share issue	-	(106)	-	-	-	(106)
Transfer	-	(134,014)	-	-	134,014	0
Equity at 31 December 2008	**314,866**	**0**	**(51,538)**	**5,270**	**575,460**	**844,058**

* Under Danish corporate law, share capital may not be used for distribution of dividends.
** In accordance with the Danish Public Companies Act, “Share premium” has been transferred to “Retained earnings”. Accumulated “Share premium” was DKK 1,954 million at 31 December 2007 (2006: DKK 1,820 million).

NEUROSEARCH

SHARE CAPITAL (DKK thousands)	**2004**	**2005**	**2006**	**2007**	**2008**
Share capital at 1 January	153,917	154,816	157,790	246,390	304,854
Equity issues	-	-	87,562	55,092	9,715
Exercise of warrants	899	2,974	1,038	3,372	297
Share capital at 31 December	**154,816**	**157,790**	**246,390**	**304,854**	**314,866**

The total number of shares is 15,743,285 (2007: 15,242,687 shares) with a nominal value of DKK 20 each (2007: DKK 20 each). All issued shares are fully paid up. All shares carry the same rights.

NEUROSEARCH

MANAGEMENT STATEMENT

The Board of Directors and Executive Management have reviewed and approved the Financial Statement Announcement of NeuroSearch A/S for 2008.

The Board of Directors and Executive Management also discussed and approved the Annual Report of the NeuroSearch Group and Parent Company for 2008. The Annual Report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports for listed companies.

In our opinion the accounting policies used are appropriate and the overall presentation of the Financial Statements is adequate. Furthermore, in our opinion the management review includes a fair review of the development and performance of the business and the financial position of the group, together with a description of the material risks and uncertainties the group faces.

The Financial Statement Announcement on the Financial Statement as at 31 December 2008 has been prepared using the same accounting policies as the Annual Report for 2008.

Copenhagen, 4 March 2008

Executive Management

Flemming Pedersen
CEO

_____

Board of Directors

Thomas Hofman-Bang Chairman	Allan Andersen	Torbjörn Bjerke
_____	_____	_____
Anders Ullman	Gerard van Odijk	Torben Skov
_____	_____	_____
Lars Siim Madsen	Mads Peder Gersdorff Korsgaard	
_____	_____	