



Q1 report 2012

Announcement

25.04.2012

NeuroSearch A/S – Q1 report 2012 and update on the company's activities

Update on the company's activities

As stated in announcement no. 9-12 of 10 April 2012, NeuroSearch is seeking a partner for the global marketing rights for Huntexil® in order to provide financing to conduct the Prime-HD study with Huntexil®, and the further development of the asset.

Upon signing of a partnership for Huntexil® based on global rights, NeuroSearch will be open to discuss various development scenarios, business models and strategic alternatives.

Concurrently, NeuroSearch is seeking support among existing and potential new investors for their participation in a possible capital increase. This will enable NeuroSearch to retain all rights to Huntexil®.

The Board of Directors expects to be able to conclude on the company's search for a partner or investors in the short term, and will on a regular basis evaluate if the company's activities can be continued in consideration of all the company's financial stakeholders.

Q1 report for 2012

The operating result of continuing actives was a loss of DKK 22 million (a loss of DKK 37 million in the same period 2011). The operating result of continuing activities after tax was a loss of DKK 27 million (loss of DKK 47 million in the same period 2011).

On 31 March 2012, the company's cash and cash equivalents including securities totalled DKK 144 million (DKK 412 million at 31 March 2011). Securities primarily consist of highly liquid short-term bonds. In addition, NeuroSearch will receive future contingent payments from the collaboration partner Janssen of DKK 31 million and has DKK 9 million in an escrow account relating to the sale of Sophion Bioscience A/S.

Important events in Q1 2012 and until today

- In the course of Q1, NeuroSearch received the preliminary results from the Multiple Ascending Dose study (MAD) in which healthy volunteers received ascending doses of Huntexil®. From these preliminary results, it can be concluded that Huntexil® is both safe and well-tolerated in the doses planned for in Prime-HD. The evaluation of data from the MAD study is still on-going and the final results are expected in the course of Q2 2012.
- On the company's Extraordinary General Meeting on 20 February 2012, it was decided to reduce the company's share capital from DKK 491,078,940 to DKK 24,553,947 by transfer to a special reserve and reduction of the nominal value of the company's shares from DKK 1 to DKK 0.05. The face value of the company's shares at the NASDAQ OMX Copenhagen A/S thereby changed from DKK 20 to DKK 1.
- On 10 April 2012, NeuroSearch announced that the company now seeks a partnership based on global rights for Huntexil® and in this connection the company confirmed that it would intensify the search for partners or investors and in the short run to reach a conclusion regarding financing with a view to continuing the development of Huntexil® and the operations of NeuroSearch. Please see announcement no. 9-12 for further information.



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Financial expectations for 2012

NeuroSearch maintains its expectations for the financial year 2012 as announced in connection with the company's Annual Report and thus expects an operating loss on continuing operations of approximately DKK 75 million excluding any possible costs related to the phase III programme on Huntexil[®]. Costs mainly relate to the continuing organisation, fixed costs and continuation of Open-HART and the compassionate use programme. The Prime-HD study will not be initiated before financing is secured to finalise the study.

No further costs related to the discontinuing operations are expected in 2012 except for the costs already recognised as provision, and the company still expects the cash flow effect to be in the region of DKK 70 million.

Patrik Dahlen
CEO

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René Schneider, EVP & CFO, telephone: +45 4460 8700 or +45 2911 2097

Teleconference

NeuroSearch will host a conference call today at 9.30 am CET (8.30 pm UK time, 3.30 am New York time) during which the Q1 report will be presented. Participating in the call will be CEO Patrik Dahlen and EVP & CFO René Schneider.

The conference call will be conducted in English and the dial-in numbers are:

UK and international:	+44 207 509 5139
US:	+1 718 354 1226
Denmark	+45 3271 4767

Listening to the teleconference is also possible via the company's [website](#), along with the accompanying presentation. Following the call, the presentation will be available on the company's website

About NeuroSearch

NeuroSearch is a European-based biopharmaceutical company specialising in CNS diseases. The company is listed on NASDAQ OMX Copenhagen A/S. The company's product pipeline comprises Huntexil[®] for the treatment of motor symptoms in patients with Huntington's disease and orodipine and seridopidine, which have both completed phase I development. Huntexil[®] is currently in Phase III development. The overall objective for NeuroSearch is to create a profitable, specialty pharma company building on the platform the company will achieve from a successful development and marketing of Huntexil[®]. The company also has a portfolio of assets for outlicensing or divestment.





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Financial review

Liquidity and capital resources

As of 31 March 2012, cash and cash equivalents including securities totalled DKK 144 million (DKK 412 million in the same period 2011). Securities primarily consist of highly liquid short-term bonds. In addition, NeuroSearch has granted contingent future payments from the collaboration partner Janssen of DKK 31 million and contingent proceeds from the divestment of Sophion Bioscience A/S of DKK 9 million.

The interim report has been prepared on a going concern basis. The company's capital is considered to be sufficient to fund the current level of activity and a controlled closure of the discontinued operations.

The company's funding of the start-up of additional phase III studies of Huntexil[®] will require additional capital. As announced on 10 April 2012, management continues to seek a partner based on global rights. Entering in to such a partnership, NeuroSearch is open to discuss various development paths, business models and strategic alternatives.

In addition, NeuroSearch is in close dialogue with existing shareholders, as well as potential new investors, regarding their participation in a potential capital increase which will enable the company to retain all rights to Huntexil[®] until the results from Prime-HD are available.

Income statement

An operating loss on continuing activities of DKK 22 million (a loss of DKK 37 million in the same period 2011) was reported. A loss after tax on continuing activities of DKK 27 million was posted (a loss of DKK 47 million in the same period 2011).

Revenue

No revenue has been generated in the period, nor in the same period in 2011.

Costs

Consolidated costs totalled DKK 22 million (DKK 37 million in the same period 2011) of which development costs amounted to DKK 19 million (DKK 31 million in the same period 2011). The development costs were primarily attributable to the Huntexil[®] development programme.

Net financials

Financials amounted to a net expense of DKK 5 million (net expenses of DKK 11 million in the same period 2011).

The group's shares of results of associates – NsGene A/S and Atonomics A/S – are recognised in the income statement as a combined loss of DKK 1 million (a loss of DKK 3 million in the same period 2011).

By the end of Q1 2012, other financials amounted to a loss of DKK 4 million (loss of DKK 8 million in the same period 2011).

Net loss for the continuing activities

The result for the period for the continuing activities was a loss of DKK 27 million (a loss of DKK 47 million in the same period 2011).



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Discontinuing operations

The restructuring of the company's activities, which was announced in September 2011, proceeds as planned. No further costs related to the discontinuing operations are expected in 2012 except for the costs already recognised as a provision, and the company still expects the cash flow effect to be in the region of DKK 70 million.

Balance sheet

By the end of the first quarter 2012, the balance sheet stood at DKK 768 million (DKK 1,320 million in the same period 2011).

Subsidiaries and associated companies

At 31 March 2012, NeuroSearch held equity interests in the following companies: NeuroSearch Sweden AB (100%), NsExplorer A/S (100%), Poseidon Pharmaceuticals A/S (100%), NsGene A/S (26.8%) and Atonomics A/S (18.9%).

Except for NeuroSearch Sweden AB, which is based in Sweden, all other subsidiaries and associated companies are based in Denmark.

Organisation

NeuroSearch has its head office in Ballerup, Denmark. Total number of employees for the group was 121 as of 31 March 2012 and is expected to be reduced to about 35 employees, when the restructuring is fully and finally implemented in mid-2013.

Financial expectations for 2012

NeuroSearch maintains its financial expectations for the full financial year 2012, which were reported in connection with the announcement of the Annual Report 2011. No other costs are expected in connection with discontinuing activities in 2012.



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FINANCIAL HIGHLIGHTS AND PER SHARE RATIOS

(DKK million)	GROUP		
	Q1 2012 (3 months)	Q1 2011 (3 months)	2011 (12 months)
Income statement:			
Development costs	19.0	30.5	259.1
Operating profit/(loss)	(22.1)	(36.6)	(382.5)
Net financials	(5.0)	(10.7)	33.4
Profit/(loss) of continuing activities before taxes	(27.1)	(47.3)	(349.1)
Net profit/(loss) of continuing activities	(27.1)	(47.3)	(349.1)
Net profit/(loss) of discontinuing operations	-	(45.4)	(329.3)
Profit/(loss) for the period	(27.1)	(92.7)	(678.4)
Statement of comprehensive income:			
Other comprehensive income	6.8	6.8	(16.4)
Total comprehensive income for the period	(20.3)	(85.9)	(694.8)
Balance sheet:			
Total assets	768.0	1,320.1	840.8
Cash and cash equivalents and securities	**144.4	411.5	220.6
Equity	297.5	915.4	320.6
Investments in tangible assets	-	1.2	3.6
Per share ratios (DKK):			
Earnings per share*	(1.11)	(3.78)	(27.63)
Diluted earnings per share	(1.11)	(3.78)	(27.63)
Net asset value	12.12	37.28	13.06
Market price at end of period	10.0	57.0	17.7
Market price/net asset value	0.83	1.53	1.36
Average number of employees	144	198	222

* Per share of DKK 1 face value.

** Excluding future contingent payments from the collaboration partner Janssen of DKK 31 million and contingent proceeds of DKK 9.0 million from the divestment of Sophion Bioscience A/S.

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



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CONDENSED TOTAL INCOME STATEMENT

(DKK million)	GROUP		
	Q1 2012 (3 months)	Q1 2011 (3 months)	2011 (12 months)
Income statement:			
Development costs	19.0	30.5	259.1
General and administrative costs	3.1	6.1	123.4
Total costs	22.1	36.6	382.5
Operating profit/(loss)	(22.1)	(36.6)	(382.5)
Share of profit/(loss) of associates	(1.0)	(2.7)	(5.9)
Net other financials	(4.0)	(8.0)	39.3
Net profit/(loss) of continuing activities	(27.1)	(47.3)	(349.1)
Profit/(loss) of discontinuing activities	-	(45.4)	(329.3)
Net profit/(loss)	(27.1)	(92.7)	(678.4)
Statement of comprehensive income:			
Net profit/(loss)	(27.1)	(92.7)	(678.4)
<i>Other comprehensive income:</i>			
Fair value adjustment of hedging instruments	2.4	1.5	(19.1)
Exchange rate adjustment of new investment in foreign subsidiary	4.9	2.6	1.8
Fair value adjustment of hedge of net investment in foreign subsidiary	(0.5)	2.7	0.9
Total other comprehensive income	6.8	6.8	(16.4)
Total comprehensive income	(20.3)	(85.9)	(694.8)
Earnings per share, DKK	(1.11)	(3.78)	(27.63)
Diluted earnings per share, DKK	(1.11)	(3.78)	(27.63)
Earnings per share, DKK (continuing activities)	(1.11)	(1.93)	(14.22)
Diluted earnings per share, DKK (continuing activities)	(1.11)	(1.93)	(14.22)



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CONDENSED BALANCE SHEET

Balance sheet (DKK million)	GROUP		
	31 March 2012	31 March 2011	31 December 2011
Intangible assets	522.3	674.8	518.0
Property, plant and equipment	52.4	198.6	52.4
Investments	-	8.3	1.1
Receivables	48.9	26.9	48.7
Cash and cash equivalents and securities	144.4	411.5	220.6
Total assets	768.0	1,320.1	840.8
Equity	297.5	915.4	320.6
Non-current liabilities	260.5	203.4	261.6
Current liabilities	210.0	201.3	258.6
Total equity and liabilities	768.0	1,320.1	840.8

CONDENSED CASH FLOW STATEMENT

Cash flow statement (DKK million)	GROUP		
	Q1 2012 (3 months)	Q1 2011 (3 months)	2011 (12 months)
Cash flows from operating activities	(60.0)	(56.0)	(254.7)
Cash flows from investing activities	65.5	74.1	301.2
Cash flows from financing activities	(18.6)	(4.4)	(44.0)
Net cash flow	(13.1)	13.7	2.5
Unrealised gain/(loss) on securities	2.3	(5.6)	4.0
Net change in cash and cash equivalents	(10.8)	8.1	6.5
Cash and cash equivalents at beginning of period	32.8	26.3	26.3
Cash and cash equivalents at end of period	22.0	34.4	32.8
Securities at the end of period	122.4	377.1	187.8
Cash and cash equivalents and securities at end of period	*144.4	411.5	220.6

* Excluding future contingent payments from the collaboration partner Janssen of DKK 31 million (Q1 2011: DKK 64 million) and contingent proceeds of DKK 9 million from the divestment of Sophion Bioscience A/S (Q1 2011: DKK 0 million).

For a breakdown of "cash and cash equivalents" and "securities" as of 31 March 2012, see notes 2 and 3.



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MOVEMENTS IN EQUITY

2012 GROUP (DKK thousand)	Share capital	Share premium	Currency translation reserve	Other reserves	Retained earnings	Total
Equity at 1 January 2012	491,079	0	11,969	(22,071)	(160,345)	320,632
Total recognised income for the period	-	-	4,412	2,362	(27,160)	(20,386)
Reduction of share capital	(466,525)	-	-	-	466,525	0
Right issue	-	(2,819)	-	-	-	(2,819)
Employee warrant programme	-	-	-	-	81	81
Transfer	-	2,819	-	-	(2,819)	0
Equity at 31 March 2012	24,554	0	16,381	(19,709)	276,282	297,508

2011 GROUP (DKK thousand)	Share capital	Share premium	Currency translation reserve	Other reserves	Retained earnings	Total
Equity at 1 January 2011	491,079	0	9,313	(2,997)	496,672	994,067
Total recognised income for the period	-	-	5,277	1,497	(92,719)	(85,945)
Right issue	-	-	-	-	-	0
Employee warrant programme	-	-	-	-	7,271	7,271
Transfer	-	-	-	-	-	0
Equity at 31 March 2011	491,079	0	14,590	(1,500)	411,224	915,393

Share capital

(DKK thousand)	31 March 2011	21 March 2012
Share capital 1 January	491,079	491,079
Capital reduction	-	(466,525)
Share capital 31 March	491,079	24,554



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NOTES

1. Accounting estimates and judgments

Basis of preparation

The interim financial statements contain a condensed of the consolidated financial statements for NeuroSearch A/S. The interim consolidated financial statements are presented in accordance with IAS 34 about interim financial statements and additional Danish interim financial reporting requirements for listed companies.

This interim report has not be audited or reviewed by the company's independent auditor.

Accounting policies

The accounting policies in the interim consolidated financial statements are consistent with those applied in the Annual Report 2011. The Annual Report 2011 has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. For further information please see the Annual Report 2011, pages 40-43.

Estimates and judgments

The preparation of interim consolidated financial statements in accordance with IAS 34 requires the making of estimates and judgments that affect the reporting of assets, liabilities and expenses. The estimates and judgments are reviewed on an ongoing basis. Estimates and judgments are based on historical experience and on various other assumptions which NeuroSearch believes to be reasonable under the circumstances. However, the actual results may differ significantly from the estimates.

The principles used to make estimates and judgments in the interim consolidated financial statements have been consistently applied in the interim financial statements and the Annual Report 2011. The principles are described in the Annual Report 2011 in note 1 to the financial statements (page 48-49).

2. Cash and cash equivalents

Cash and cash equivalents can be specified as follows:

(DKK million)	31 March 2012	31 March 2011	31 December 2011
Money market accounts	22.0	34.4	32.8
Cash and cash equivalents end of period	22.0	34.4	32.8

NeuroSearch is subject to credit risk with respect to bank deposits. The maximum credit risk corresponds to the carrying amount. The credit risk involved in cash is handled by only collaborating with financial institutions with satisfactory creditworthiness. No credit risk is considered to exist in relation to cash as the counterparties are Nordea and Danske Bank.



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3. Securities

Securities can be specified as follows:

(DKK million)	31 March 2012	31 March 2011	31 December 2011
Danish mortgage bonds	122.4	377.1	187.8
Total securities end of period	122.4	377.1	187.8

4. Treasury shares

(DKK thousand)	Number of Shares	Nominal value	Percentage of share capital	Market value DKK million
1 January 2012	265,946	5,318,920	1.08	4.7
Adjustments	-	(5,052,974)	-	(2.0)
Treasury shares at 31 March 2012	265,946	265,946	1.08	2.7



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MANAGEMENT STATEMENT

The Board of Directors and Executive Management today considered and approved the interim report for the period 1 January to 31 March 2012. The interim report has not been audited or reviewed by the company's independent auditor.

The interim report which contains an abstract of the full consolidated financial statement for NeuroSearch A/S is presented in accordance with IFRS as adopted by the EU, IAS 34 and additional Danish interim financial reporting requirements for listed companies.

We consider the accounting policies to be appropriate and the overall presentation in the interim report to be adequate.

Therefore, in our opinion, the interim report gives a true and fair view of the Group's assets and liabilities and financial position as at 31 March 2012 and of the results of operations and cash flows for the period 1 January to 31 March 2012. Furthermore, in our opinion, the management report gives a true and fair statement of the developments in the Group's activities and financial affairs, as well as a description of the significant risks and uncertainties the Group faces.

Copenhagen, 25 April 2012

Executive Management

Patrik Dahlen
CEO

Board of Directors

Thomas Hofman-Bang
Chairman

Allan Andersen

Anders Ullman

Carsten Jessen

Ian Talmage

Janus Schreiber Larsen

Lars Siim Madsen

Torbjörn Bjerke
