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**Announcement**

**NeuroSearch A/S – Q3 report 2008**

Today, the board of directors of NeuroSearch considered and approved the company's interim report for the period 1 January to 30 September 2008.

For this period, NeuroSearch reports a financial loss after tax of DKK 267.9 million (Q3 2007: a loss of DKK 222.9 million) and capital resources totalling DKK 605.7 million at 30 September 2008 (DKK 258.0 million at 30 September 2007).

During the third quarter of 2008 and the following period, NeuroSearch has met a number of important milestones and continues to advance and build value into its broad pipeline of drug development programmes. The progress of our business is highly satisfactory.

The ACR16 pivotal programme in Huntington's diesase, consisting of the European MermaiHD study and the US HART study, is progressing well and according to plan. Over the past months, NeuroSearch has succesfully added to the outstanding efficacy and safety data package behind tesofensine for the treatment of obesity and completed all clinical Phase III preparations. As part of these preparations, NeuroSearch has finalised a full pivotal Phase III development plan, in collaboration with external clinical experts in the field of obesity. In parallel, NeuroSearch has continued the dialogue with potential partners.

The management's report for the third quarter 2008 contains a review of NeuroSearch's business strategy and plans focusing on the company's two late stage in-house development programmes; ACR16 for the treatment of Huntington's disease and tesofensine for the treatment of obesity as well as on the drug discovery portfolio and related business and financing aspects.

<u>Overview of key development milestones and activities in Q3 2008</u>:

- Tesofensine (Phase III in preparation for obesity/Type 2 diabetes)
  - Positive 24-week interim results from TIPO-4 (Phase II extension study) show an outstanding and clinically highly relevant placebo-controlled effect of approximately 13 kg after a combined tesofensine treatment period of 48 weeks.
  - Detailed results from TIPO-2, a metabolic evaluation study of tesofensine, demonstrate that the drug exerts its unique weight loss efficacy through both appetite suppression and a favourable impact on energy and fat metabolism. The outcome of TIPO-2 further supports tesofensine's potential as a superior new treatment for obesity and Type 2 diabetes.
  - An abuse liability study and a cardiovascular feasibility study has been completed. The aim of the two studies was to further strengthen the safety profile of the drug; the one with regard to risk of abuse and the other with regard to cardiovascular safety. The results were favourable, supporting Phase III development.

- ACR16 (in Phase III for Huntington's disease)
  - FDA approval received of the IND for ACR16 and of the HART study as part of NeuroSearch's ongoing pivotal programme in Huntington's disease. NeuroSearch started dosing patients in the HART study in October.
- NS2359 (in Phase II for depression)
  - Patient enrolment has been completed in two large clinical Phase IIb studies under the licence agreement with GlaxoSmithKline (GSK). Results are expected in H1 2009.
- NSD-847 for the treatment of psychoses has been chosen as a new development candidate and added to the product pipeline.

Most important events after the third quarter of 2008:

- Publication in The Lancet of the results from TIPO-1, a proof-of-concept Phase II study with tesofensine for obesity concluding that tesofensine can produce a weight loss twice that of currently approved obesity drugs and that Phase III development is warranted.
- Initiation of patient dosing in the US HART study as part of the ongoing pivotal programme with ACR16 for the treatment of Huntington's disease.

NeuroSearch retains its financial guidance for 2008, expecting a loss before financials in the region of DKK 400 million. This guidance does not include any kind of success-based payments that may be realised during the year from neither existing nor new partnership agreements.

Thomas Hofman-Bang
Chairman of the board

**Telephone conference**

NeuroSearch hosts a teleconference later today, 17 November 2008, 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 and Director of IR & Corporate Communications, will present the Q3 Report 2008 and answer questions. The teleconference will be conducted in English and the telephone number is +44 (0)20 7162 0077. The corresponding PowerPoint presentation will be available at www.neurosearch.com.

**Contact persons:**

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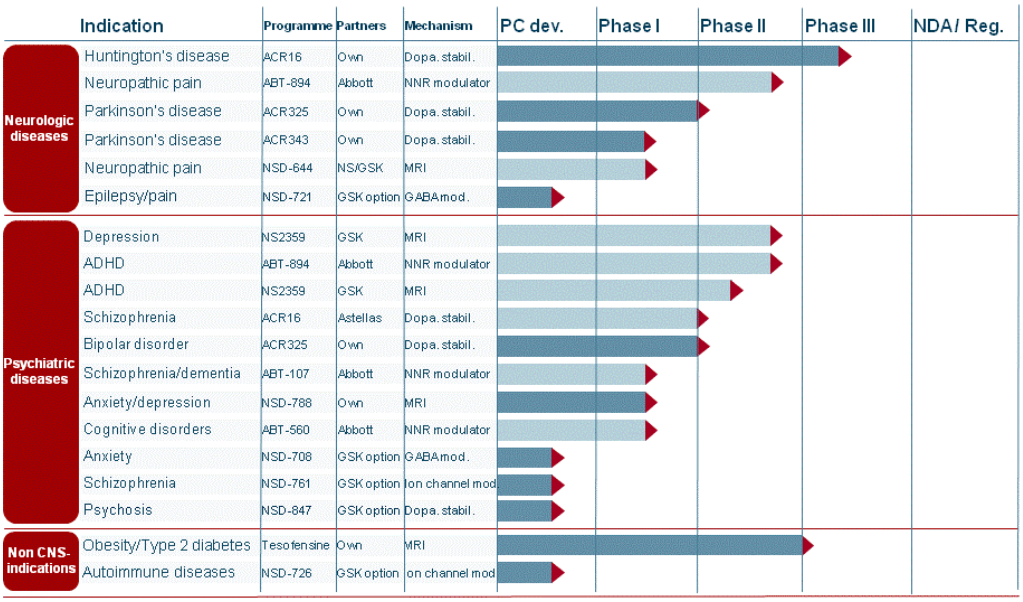
Q3 Report 2008

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 its activities is partner financed through a broad alliance with GlaxoSmithKline (GSK) and collaborations with, among others, Abbott and Astellas. NeuroSearch's drug pipeline comprises 14 clinical (Phase I-III) development programmes: ACR16 for Huntington's disease (Phase III), tesofensine for obesity and in Type 2 diabetes (Phase III in preparation), NS2359 for depression (Phase II) and ADHD (Phase II) in partnership with GSK, ABT-894 for ADHD (Phase II) and pain (Phase II) in partnership with Abbott, ACR16 for schizophrenia (Phase I) in partnership with Astellas, ACR325 for Parkinson's disease (Phase II in preparation) and bipolar disorder (Phase II in preparation), ABT-107 and ABT-560 for the treatment of various CNS disorders – both (Phase I) in collaboration with Abbott, NSD-644 for pain (Phase I) in partnership with GSK, 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.

## MANAGEMENT'S REPORT

In the first three quarters of 2008 and the period hereafter, NeuroSearch's drug discovery activities have performed satisfactorily and the pipeline of drug candidates has been further matured. The drug pipeline currently comprises 19 development programmes from preclinical Phase to clinical Phase III, eight of which are fully funded under partnership agreements with GlaxoSmithKline (GSK), Abbott and Astellas.




### Business status and strategy going forward

NeuroSearch has many ongoing activities with respect to both progress of its pipeline of drug candidates and business development aspects including partnering and financing. NeuroSearch's management is fully aware of and alert to the current global financial situation and its potential impact on the entire biopharmaceutical industry and the company's activities in particular. In light of this challenging financial environment, we find it appropriate and timely to provide an update on the company's main strategies and their business and value prospects.

NeuroSearch firmly believes that the pharmaceutical industry will continue to grow as the need for new and better drugs is as great as ever. It must be realised, however, that public equity financing of drug development is currently limited and more expensive than it has been in the recent years. As a consequence, NeuroSearch remains highly focused on securing financing from industrial partnerships, which have always been a cornerstone in the company's strategy.

NeuroSearch is currently in a highly favourable financial position with cash resources of DKK 606 million as of 30 September 2008, which is sufficient to fund the company's current operations until early 2010 without including any income from new licensing agreements or success based milestone payments from existing partnerships. This being said, NeuroSearch's management consider the possibility of substantial financing inflow from both new and existing industrial partnerships to be excellent.

NeuroSearch currently has two non-partnered Phase III staged programmes, which in conjunction with a significant portfolio of drug discovery programmes are in focus regarding partnering and financing. Below are comments on the strategies of these two late stage development programmes and on the drug discovery partnering efforts.

ACR16 – Huntington's disease

The pivotal programme with ACR16, comprising the MermaiHD study in Europe and the HART study in the US, is ongoing. Both studies are progressing as planned, and ACR16 is firmly positioned as the most advanced drug in development for Huntington's disease having obtained orphan drug status with both the FDA and EMEA.

NeuroSearch has previously communicated the strategic decision to retain all rights to ACR16 in-house and market the drug in Europe and the US without a development and marketing partner. This decision is based on a highly positive commercial assessment of the potential in the area of Huntington's disease.

Though NeuroSearch's management is convinced that ACR16 could form the basis for an attractive license agreement which could secure substantial financing for NeuroSearch, the current strategy of retaining rights to the Huntington indication is maintained in order to maximise long term shareholder value.

Tesofensine – Obesity

NeuroSearch has now successfully finalised all planned studies prior to a pivotal Phase III programme with tesofensine and regulatory preparations have begun with planned study start in early 2009.

The highly positive results of the TIPO-1 Phase II study with tesofensine in obesity were published in The Lancet at 23 October 2008. The Lancet article concludes that tesofensine provides at least twice the efficacy of currently available weight management drugs. Further, NeuroSearch's management believes that tesofensine holds a superior competitive profile, comparing also to any drug in development for obesity. This belief is based partly on the safety profile of the drug which looks increasingly encouraging and supportive. In summary, all available data strongly support Phase III development of tesofensine.

NeuroSearch has assessed the financial budget for a Phase III obesity programme to be approximately EUR 80-100 million (DKK 600-750 million). Approximately EUR 30 million of this amount is required to obtain a European registration for tesofensine; the remaining EUR 50-70 million will be required for a development programme aiming for market registration on a global scale.

NeuroSearch is seeking a development and marketing partner for tesofensine and is currently in discussions with a number of potential partners. We view the partner discussions as positive and are encouraged by the continued generation and publication of strong data, combined with recent supportive changes in the competitive landscape.

Other partnerships

NeuroSearch has an ongoing five year strategic alliance with GSK which expires on 31 December 2008. The alliance has been highly productive and valuable for NeuroSearch both in terms of financing and in terms of the value created in related pipeline programmes. NeuroSearch has made the strategic decision to pursue similar types of alliances with international pharmaceutical companies following the expiry of the current GSK alliance.

On the basis of ongoing partner discussions, we are confident that NeuroSearch will enter into one or more structured alliances regarding a number of the company's drug discovery programmes and potentially covering also non-partnered clinical stage

programmes. Such alliance is expected to both secure significant short-term financing and increase the potential for long-term value generation.

**Drug candidates in clinical development (Phases I – III)**

ACR16 – Huntington's disease: Pivotal Phase III programme

NeuroSearch is evaluating ACR16, a dopaminergic stabiliser, in a comprehensive pivotal programme for the treatment of Huntington's disease. ACR16 represents a novel and unique therapeutic approach in this orphan drug indication.

The ongoing pivotal programme comprises two clinical studies with an expected total enrolment of up to 640 patients suffering from Huntington's disease; a European Phase III study, MermaiHD, and a confirmatory Phase II US study, HART.

The MermaiHD study was initiated in April 2008 as a randomised, double-blinded, placebo-controlled study including more than 30 centres in eight European countries and planned to enrol up to 420 patients with Huntington's disease. Patients in the study receive daily doses of either 45 mg (once daily (QD)) or 45 mg (twice daily (BID)) ACR16 or placebo over a period of six months (26 weeks). The MermaiHD study is progressing satisfactorily, and the first patients that have completed the six months blinded treatment period are now entering into the six months open-label extension study.

The HART study was initiated in October 2008 as a randomised, double-blinded and placebo-controlled study planned to enrol a total of 220 patients with Huntington's disease. The patients in this study will be randomised to three months treatment (12 weeks) with one of three doses of ACR16 (10 mg BID, 22.5 mg BID and 45 mg BID) or placebo. The study is being conducted at a number of centres in the United States and Canada. The first Huntington's patients were enrolled and received dosing in October 2008.

The primary efficacy endpoint for both HART and MermaiHD is the effect of ACR16 on the motor function of Huntington patients (such as gait/balance, hand functionality and parkinsonism) measured by the modified Motor Score, mMS - a subscale of the Unified Huntington's Disease Rating Scale (UHDRS). It has been demonstrated that the loss of voluntary motor function is the most important factor in the functional decline of Huntington's patients over time. Secondary endpoints include the overall clinical impression of the patients, their cognitive function and the severity of neuropsychiatric symptoms such as depression and anxiety.

The combined results from MermaiHD and HART are expected to form the basis for a global market registration of ACR16 as a new and superior treatment for Huntington's disease. Data reporting is expected in the second half of 2009, with subsequent filing for market registration as soon as possible thereafter.

Tesofensine – Obesity/Type 2 diabetes: In preparation for Phase III

Tesofensine is a monoamine reuptake inhibitor which prevents the pre-synaptic uptake of the neurotransmitters dopamine, noradrenalin and serotonin in the brain. In Phase II evaluation, the compound has shown outstanding efficacy in the treatment of obesity and potentially also Type 2 diabetes. Based on these results, NeuroSearch has completed all pivotal Phase III preparatory work over the past few months with the aim of initiating the Phase III development programme in early 2009.

NeuroSearch has evaluated tesofensine in TIPO-1, a 24-week clinical Phase IIb proof-of-concept study in 203 obese patients. In this study, the drug demonstrated an unusually strong weight loss effect which was subsequently confirmed by additional clinical results. Results from the study showed a placebo-adjusted mean weight loss of 4.5%, 9.2% and 11.6%, 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 have a satisfactory safety profile. The results from TIPO-1 were recently published in The Lancet with the conclusions that tesofensine can produce a weight loss twice that of currently approved obesity drugs and that Phase III development is warranted.

NeuroSearch has also conducted a placebo-controlled clinical metabolic study, TIPO-2, with tesofensine. Results from TIPO-2 show 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 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 clinical 48 weeks' open-label Phase II extension study in 140 patients that had completed TIPO-1. The interim results showed that those 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 placebo-controlled 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 weeks' treatment period.

The TIPO-4 study is planned to be completed by end of 2008, and final results are expected in the beginning of 2009.

Tesofensine has been studied in more than 1,400 persons of whom more than 1,000 were exposed to relevant therapeutic doses. The compound is considered to have a good and very well documented safety profile.

NeuroSearch expect to present and discuss all relevant data on tesofensine and its plans for continued clinical development with relevant regulatory agencies in the coming months with the aim of being able to start the Phase III programme in the first half of 2009.

The medical treatment of obesity and Type 2 diabetes is handled through general practitioners to a great extent, and the marketing of tesofensine as an anti-obesity drug would thus require a sizeable sales force. This falls outside NeuroSearch's strategy at this point, so the company intends to enter into a licence agreement with an international pharmaceutical company at a suitable point in time.

NS2359 (GSK372475) – Depression and ADHD: In clinical Phase II (in collaboration with GSK)

NS2359 is a triple monoamine reuptake inhibitor with equal effect on the reuptake of the three neurotransmitters serotonin, noradrenaline and dopamine and believed to be a novel and differentiated antidepressant with the ability also to enhance cognitive performance.

The global rights to NS2359 have been out licensed to GlaxoSmithKline (GSK) which is conducting an extensive Phase IIb clinical programme with the drug candidate for the treatment of depression (major depressive disorder). The Phase IIb programme consists of two parallel studies, including a total of almost 900 patients suffering from depression. The first study evaluates the efficacy and safety of NS2359 in a 10-week treatment period and compares it and paroxetine (Paxil®), a selective serotonin re-uptake inhibitor (SSRI), with placebo. The second study evaluates a higher dose regimen of NS2359 and compares it and venlafaxine (Effexor®) with placebo.

Both Phase IIb studies have now completed patient enrolment on schedule and the results are expected in the first half of 2009.

Under the terms of the licence agreement, GSK will conduct and finance the development and commercialisation of NS2359 while paying NeuroSearch a potential total of up to EUR 98 million in milestone payments plus double-digit royalties of global sales of the product if it is launched.

Abbott collaboration: ABT-894 (ADHD/pain), ABT-107 (Alzheimer's disease/schizophrenia) and ABT-560 (cognitive disorders)

The licence agreement with Abbott covers three NNR (Neuronal Nicotinic Receptor) modulators in clinical development; ABT-894, ABT-107 and ABT-560. NNRs represent an area with promising potential for new ways of treating several CNS related diseases, including ADHD, Alzheimer's disease, schizophrenia and pain.

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.

*ABT-894 – ADHD and pain: In clinical Phase II*

Abbott has two ongoing Phase IIb clinical development programmes with ABT-894, an $\alpha 4\beta 2$ NNR subtype specific modulator for the treatment of diabetic neuropathic pain and ADHD.

In June 2008, NeuroSearch reported positive results from a Phase IIb study of ABT-894 in approximately 200 adults suffering from ADHD. The results demonstrated that ABT-894 was efficacious in adult ADHD measured as a statistically significant improvement on the primary endpoint; the total score on the Conners' Adult ADHD Rating Scales (CAARS). Atomoxetine (Strattera®) was included as active control in the study, and the two compounds appeared to be comparable across efficacy measures. In the study, ABT-894 was also safe and generally well tolerated. Abbott is currently planning for the continued development of ABT-894 for ADHD.

The Phase IIb clinical studies of ABT-894 in diabetic neuropathic pain are continuing with patient enrolment finalised in both.

*ABT-107 – Alzheimer's disease and schizophrenia: In clinical Phase I*

ABT-107 is an α7-subtype 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 diseases, including Alzheimer's disease and schizophrenia.

*ABT-560 – Cognitive disorders: In clinical Phase I*

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

ACR325 – Parkinson's disease and bipolar disorder: In clinical Phase I

ACR325 is the second product in NeuroSearch's pipeline of dopaminergic stabilisers. The drug has been evaluated in Phase I studies with very positive results and the company is preparing to progress ACR325 into clinical efficacy studies in Parkinson's disease and bipolar disorder.

Preclinical results from studies of related complications of L-Dopa treatment in Parkinson's disease show that ACR325 has the ability to prevent the occurrence of motor complications while leaving the beneficial treatment effects of L-Dopa intact.

ACR16 (ASP2314) – Schizophrenia: In clinical Phase Ib in collaboration with Astellas

The global rights to ACR16 for all disease indications except for Huntington's disease in North America, the EU, Norway and Switzerland, are out licensed to Astellas.

Astellas is evaluating ACR16 in a Phase Ib clinical programme in the United States with a view to developing the compound as a new treatment for schizophrenia.

Under the terms of the licence agreement with Astellas, NeuroSearch will receive up to EUR 84 million in pre-marketing milestones as well as royalties on Astellas' future global sales of the product.

NSD-644 – Neuropathic pain: In clinical Phase I

NSD-644 is a novel triple monoamine reuptake inhibitor which NeuroSearch is evaluating in clinical Phase I with a view to developing the drug as a new pain treatment. NSD-644 is being developed within the framework of an option agreement with GSK.

Under the terms of the agreement with GSK, NeuroSearch is responsible for the clinical development of NSD-644 until proof-of-concept (typically through Phase IIa), with GSK holding certain options to take over full responsibility for and funding of further development and marketing of the product. If GSK exercises its option, NeuroSearch is entitled to milestone payments totalling potentially up to DKK 812 million (EUR 109 million) and double-digit royalty rates on global sales of the product.

ACR343 – Parkinson's disease: In clinical Phase I

NeuroSearch is evaluating ACR343 in Phase I clinical studies with a view to developing this drug as a new type of treatment for Parkinson's disease. ACR343 is a dopaminergic stabiliser with a unique profile compared to the two other compounds from this drug class (ACR16 and ACR325) which NeuroSearch has in clinical development.

In a number of preclinical models for CNS disorders characterised by motor disturbances, ACR343 has demonstrated an ability to stabilise motor function. In a specific model for Parkinson's disease, ACR343 reduces the involuntary movements resulting from treatment with L-Dopa (a standard Parkinson treatment) without disturbing the favourable effect of the treatment which supports the development of ACR343 as a new drug for the treatment of Parkinson's disease.

NSD-788 – Anxiety and depression: In clinical Phase I

NeuroSearch has NSD-788 in Phase I clinical evaluation as a potential new and better treatment for anxiety and depression.

NSD-788 is a novel compound, having demonstrated a unique effect on the monoamine re-uptake systems in the brain with its primary effect on serotonin and dopamine. NSD-788 may potentially show significant advantages over existing drugs for the treatment of anxiety, but also for the treatment of other CNS disorders including, in particular, various types of depression.

**Drug candidates under preparation for clinical development**

NeuroSearch's portfolio of preclinical drug development programmes includes five novel compounds that have demonstrated promising results in models for a number of CNS indications as well as indications outside the CNS field:

- NSD-708, a sub-type specific GABA modulator for the treatment for anxiety
- NSD-721, another sub-type selective GABA modulator for the treatment for anxiety, epilepsy and pain
- NSD-761, a selective ion channel modulator for the treatment of cognitive dysfunctions associated with a number of CNS disorders
- NSD-847, a novel compound for the treatment of schizophrenia and potentially other types of psychoses and
- NSD-726, a specific ion channel modulator, for the treatment of inflammatory diseases.

GSK holds options for all five preclinical compounds under its alliance agreement with NeuroSearch.

NeuroSearch has obtained highly promising efficacy results with a number of novel compounds from a specific ion channel drug discovery programme in the area of respiratory diseases, including COPD (Chronic Obstructive Pulminary Disease). As preclinical development of the two most advanced candidates, including NSD-503 has been halted, NeuroSearch has decided to exclude the COPD-programme from the pipeline, while advancing other candidates from the discovery programme to preclinical stage.

**Affiliates and other equity interests**

At 30 September 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 (25.7%), Sophion Bioscience A/S (29.7%) and Atonomics A/S (18.8%), Bavarian Nordic A/S (1.3%), PainCeptor Pharma Corporation Inc. (2.3%) and ZGene A/S (19.28%).

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

Associates

In Q3 2008, NeuroSearch granted a convertible loan to Atonomics of DKK 2.5 million. The loan, on which no instalments are paid, falls due at 30 September 2009.

**Organisation**

NeuroSearch had a total of 243 employees at 30 September 2008. The affiliated companies had a total of 90 employees.

**Shareholder information**

As of 30 September 2008, the total share capital of NeuroSearch A/S amounted to a nominal value DKK 314,865,700, equivalent to 15,743,285 shares of a nominal value of DKK 20 each.

On 27 August 2008, NeuroSearch's board of directors decided to issue up to 350,000 warrants entitling the members of the board of directors, the executive management and other employees to subscribe for shares with a total nominal value of up to DKK 7,000,000. The allocation to the members of the board of directors (13,500 warrants) and the executive management (65,000 warrants) and other employees (271,500 warrants) has now been completed. The exercise price has been fixed at DKK 361 per warrant. The exercise periods are four weeks after each of the following company announcements: Q3 2011, annual report 2011 and H1 2012.

**Risk profile**

Drug development involves a large financial risk. The average development period is typically 8-12 years, costs are high and the probability of a new drug reaching the market is relatively low. At NeuroSearch, the risk of each drug programme as well as the company's overall risk is assessed in a continuous process. NeuroSearch's annual report 2007 (page 24-25) contains a full description of the company's overall risk profile, and there have been no significant changes to the overall risk profile.

**Outlook for 2008**

NeuroSearch retains its financial guidance for 2008 expecting a loss before financials in the region of DKK 400 million. This guidance does not include any kind of success-based payments that may be realised during the year from either existing or new partnership agreements.

**FINANCIAL REVIEW**

The interim report is presented in accordance with IAS 34 as adopted by the EU and additional Danish disclosure requirements for interim reports of listed companies. The accounting policies are consistent with those applied in the annual report for 2007. The annual report 2007 contains the full description of the accounting policies. This interim report is unaudited and unreviewed.

For the period 1 January to 30 September 2008, a loss after tax of DKK 267.9 million was posted (a loss of DKK 222.9 million for the same period of 2007), of which activities in NeuroSearch Sweden accounted for a loss after tax of DKK 58.2 million (DKK 53.4 million in the same period of 2007).

Capital resources totalled DKK 605.7 million at 30 September 2008 (DKK 258.0 million at 30 September 2007).

Revenue for the period 1 January to 30 September 2008 of DKK 50.1 million (DKK 68.9 million in the same period of 2007) mainly consisted of revenue from the partnership agreement with GSK.

Total costs in the period 1 January to 30 September 2008 totalled DKK 323.7 million (DKK 260.0 million in the same period of 2007). Total costs include the calculated costs of DKK 16.2 million (DKK 13.1 million in the same period of 2007) of warrants granted in 2005, 2006, 2007 and 2008. This item has no cash flow effect. Development costs rose from DKK 88.3 million as of 30 September 2007 to DKK 141.6 million as of 30 September 2008. Development costs in the period 1 January to 30 September 2008 primarily related to activities with tesofensine (obesity) and ACR16 (Huntington's disease) and increased activities in the other development programmes. Administrative costs were at the same level as in the same period of 2007. Research cost rose from DKK 148.0 million as of 30 September 2007 to DKK 155.6 million as of 30 September 2008.

Other financials in the period 1 January to 30 September 2008 amounted to a net expense of DKK 8.7 million (a net expense of DKK 9.6 million in the same period of 2007). Of this, amortisations related to NeuroSearch Sweden AB account for DKK 5.3 million (expense of DKK 8.1 million in the same period of 2007) and interest expenses relating to the mortgage on the company's building account for DKK 5.4 million (DKK 5.7 million in the same period of 2007). Interest income and foreign exchange adjustments related to the portfolio of fixed-term deposits and securities and other interest income have had a positive net impact of DKK 2.0 million (DKK 4.2 million in the same period of 2007).

The group's investments in property, plant and equipment in the period 1 January to 30 September 2008 totalled DKK 41.0 million (DKK 10.5 million in the same period of 2007). Investments in an expansion of the facility in Ballerup accounted for DKK 17.0 million, investment in 9,000 square metres of land adjacent to the land already owned by the company accounted for DKK 8.0 million and the remaining DKK 16.0 million (DKK 10.5 million in the same period of 2007) primarily relating to investments in equipment.

Q3 Report 2008

## Financial highlights and per share ratios

| (DKK million) | GROUP | | | | |
|---|---|---|---|---|---|
| | Q3 2008 (3 months) | Q3 2007 (3 months) | Q1-Q3 2008 (9 months) | Q1-Q3 2007 (9 months) | 2007 (12 months) |
| **Income statement:** | | | | | |
| Revenue | 17.0 | 22.0 | 50.1 | 68.9 | 115.2 |
| Research costs | 47.0 | 49.0 | 155.6 | 148.0 | 200.4 |
| Development costs | 48.2 | 33.0 | 141.6 | 88.3 | 131.7 |
| Operating profit/(loss) | (86.1) | (65.8) | (273.6) | (191.1) | (253.5) |
| Net financials | (4.2) | (8.0) | (16.9) | (31.8) | (41.3) |
| Profit/(loss) before taxes | (90.3) | (73.8) | (290.5) | (222.9) | (294.7) |
| Net profit/(loss) | (82.0) | (73.8) | (267.9) | (222.9) | (268.4) |
| **Balance sheet:** | | | | | |
| Total assets | | | 1,477.6 | 1,134.0 | 1,780.6 |
| Cash and cash equivalents, securities and investments | | | **539.1 | 198.1 | 845.3 |
| Equity | | | 984.1 | 440.2 | 1,121.4 |
| Investments in equipment | 13.6 | 6.9 | 41.0 | 10.5 | 15.7 |
| **Per share ratios (DKK):** | | | | | |
| Earnings per share* | (5.21) | (5.93) | (17.22) | (17.96) | (21.17) |
| Diluted earnings per share | (5.21) | (5.93) | (17.22) | (17.96) | (21.17) |
| Net asset value | | | 62.51 | 35.37 | 73.57 |
| Market price at end of period | | | 230 | 387 | 326.00 |
| Market price/net asset value | | | 3.68 | 10.94 | 4.43 |
| Average number of employees | | | 242 | 229 | 230 |

* Per share of DKK 20 nominal value.

** Capital resources, including unused credits, total approximately DKK 605.7 million, of which listed shares account for approximately DKK 13.7 million.

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

Q3 Report 2008

## CONDENSED INCOME STATEMENT AND BALANCE SHEET

| **Income statement** (DKK million) | GROUP | | | | |
|---|---|---|---|---|---|
| | Q3 2008 (3 months) | Q3 2007 (3 months) | Q1-Q3 2008 (9 months) | Q1-Q3 2007 (9 months) | 2007 (12 months) |
| Revenue | 17.0 | 22.0 | 50.1 | 68.9 | 115.2 |
| Research costs | 47.0 | 49.0 | 155.6 | 148.0 | 200.4 |
| Development costs | 48.2 | 33.0 | 141.6 | 88.3 | 131.7 |
| General and administrative costs | 7.9 | 5.8 | 26.5 | 23.7 | 36.6 |
| Total costs | 103.1 | 87.8 | 323.7 | 260.0 | 368.7 |
| **Operating profit/(loss)** | **(86.1)** | **(65.8)** | **(273.6)** | **(191.1)** | **(253.5)** |
| Share of profit/(loss) of associates | (2.0) | (4.8) | (8.2) | (14.3) | (20.5) |
| Value adjustment of securities | - | - | - | (7.9) | (8.0) |
| Net other financials | (2.2) | (3.2) | (8.7) | (9.6) | (12.8) |
| Tax on income | 8.3 | - | 22.6 | - | 26.4 |
| **Net profit/(loss)** | **(82.0)** | **(73.8)** | **(267.9)** | **(222.9)** | **(268.4)** |
| Earnings per share, DKK | **(5.21)** | **(5.93)** | **(17.22)** | **(17.96)** | **(21.17)** |
| Diluted earnings per share, DKK | **(5.21)** | **(5.93)** | **(17.22)** | **(17.96)** | **(21.17)** |

| **Balance sheet** (DKK million) | 30 September 2008 | 30 September 2007 | 31 Dec 2007 |
|---|---|---|---|
| Intangible assets | 701.9 | 726.6 | 727.7 |
| Property, plant and equipment | 197.9 | 168.7 | 170.5 |
| Investments | 17.5 | 25.2 | 19.0 |
| Receivables | 21.2 | 15.4 | 18.1 |
| Cash and cash equivalents and securities | 539.1 | 198.1 | 845.3 |
| **Total assets** | **1,477.6** | **1,134.0** | **1,780.6** |
| Equity | 984.1 | 440.2 | 1,121.4 |
| Non-current liabilities | 283.2 | 306.9 | 310.7 |
| Current liabilities | 210.3 | 386.9 | 348.5 |
| **Total equity and liabilities** | **1,477.6** | **1,134.0** | **1,780.6** |

## CONDENSED CASH FLOW STATEMENT

| **Cash flow statement** (DKK million) | GROUP | | |
|---|---|---|---|
| | Q1-Q3 2008 (9 months) | Q1-Q3 2007 (9 months) | 2007 (12 months) |
| Cash flows from operating activities | (240.8) | (165.5) | (218.8) |
| Cash flows from investing activities | (175.9) | 147.5 | 203.2 |
| Cash flows from financing activities | 10.3 | 11.1 | 751.3 |
| Net cash flow | (406.4) | (6.9) | 735.7 |
| Unrealised gain/(loss) on securities | (10.3) | (0.4) | (1.0) |
| Net change in cash and cash equivalents | (416.7) | (7.3) | 734.7 |
| Cash and cash equivalents at beginning of period | 727.5 | (7.2) | (7.2) |
| Foreign exchange adjustments of cash and cash equavilens | (0.3) | - | - |
| Cash and cash equivalents at end of period | 310.5 | (14.5) | 727.5 |
| Securities at the end of period | 214.9 | 146.7 | 88.4 |
| Other available-for-sale financial asets at the end of period | 13.7 | 44.8 | 29.3 |
| Other capital reserves at the end of period* | 66.6 | 81.0 | 81.0 |
| **Capital resources at end of period** | **605.7** | **258.0** | **926.2** |

* Other capital reserves relate to unused credits etc.

For a breakdown of “cash and cash equivalents” and “securities” as of 30 September 2008 see notes 2 and 3.

**MOVEMENTS IN EQUITY**

| **2008** **(DKK million)** | Share capital | Share premium | Currency translation reserve | Other re-serves | Retained earnings | Total |
|---|---|---|---|---|---|---|
| Equity at 1 January 2008 | 304.8 | 0 | (4.7) | 21.0 | 800.3 | 1,121.4 |
| Fair value and ex-change rate adjust-ments | - | - | (13.7) | (15.6) | - | (29.3) |
| Net profit/(loss) for the period | - | - | - | - | (267.9) | (267.9) |
| Total recognised income for the period | 0 | 0 | (13.7) | (15.6) | (267.9) | (297.2) |
| Other equity movements | 10.1 | 134.1 | - | - | 15.7 | 159.9 |
| Transfer | - | (134.1) | - | - | 134.1 | 0 |
| **Equity at 30 September 2008** | **314.9** | **0** | **(18.4)** | **5.4** | **682.2** | **984.1** |

| **2007** **(DKK million)** | Share capital | Share premium | Currency translation reserve | Other re-serves | Retained earnings | Total |
|---|---|---|---|---|---|---|
| Equity at 1 January 2007 | 246.4 | 0 | 5.1 | 54.3 | 351.9 | 657.7 |
| Fair value and exchange rate adjustments | - | - | (5.2) | (17.8) | - | (23.0) |
| Net profit/(loss) for the period | - | - | - | - | (222.9) | (222.9) |
| Total recognised income for the period | 0 | 0 | (5.2) | (17.8) | (222.9) | (245.9) |
| Other equity movements | 2.5 | 13.3 | - | - | 12.6 | 28.4 |
| Transfer | - | (13.3) | - | - | 13.3 | 0 |
| **Equity at 30 September 2007** | **248.9** | **0** | **(0.1)** | **36.5** | **154.9** | **440.2** |

## NOTES

### 1. Accounting estimates and judgments

The preparation of interim consolidated financial statements in accordance with IAS 34 requires the management to make estimates and judgments that affect NeuroSearchs reporting of assets, liabilities and expenses. NeuroSearch review the estimates on an ongoing basis. Estimates 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 2007. The principles are described in the annual report 2007 in note 1 to the financial statements (pages 60-61).

### 2. Cash and cash equivalents

Cash and cash equivalents can be specified as follows:

| (DKK million) | 30 September 2008 | 30 September 2007 | 31 Dec 2007 |
|---|---|---|---|
| Money market accounts | 26.7 | (14.5) | 41.7 |
| Fixed-term deposits | 280.0 | - | 682.0 |
| Escrow account regarding building project | 3.8 | - | 3.8 |
| **Cash and cash equivalents** | **310.5** | **(14.5)** | **727.5** |

NeuroSearch is subject to credit risk with respect to bank deposits. The maximum credit risk corresponds to the carrying amount. No credit risk is considered to exist in relation to cash as the counterparties are Nordea and Danske Bank, which are banks with good credit ratings.

### 3. Securities

Securities can be specified as follows:

| (DKK million) | 30 September 2008 | 30 September 2007 | 31 Dec 2007 |
|---|---|---|---|
| Danish mortgage bonds | 131.0 | 121.3 | 83.4 |
| Unit trusts | 83.9 | 25.4 | 5.0 |
| **Total securities** | **214.9** | **146.7** | **88.4** |

## MANAGEMENT'S STATEMENT

The board of directors and executive management today considered and approved the interim report for the period 1 January to 30 September 2008.

The interim report, which is unaudited and unreviewed, is presented in accordance with international accounting standard IAS 34 as adopted by the EU and additional Danish interim financial reporting requirements for listed companies.

We consider the accounting policies to be appropriate to the effect that the interim report gives a true and fair view of the Group's assets and liabilities, financial position, results of operations and cash flows.

Furthermore, we consider the management report to give a true and fair statement of the developments in the Group's activities and financial affairs, results of operations and the Group's financial position as a whole as well as a description of the significant risks and uncertainties the Group faces.

Copenhagen, 17 November 2008

**Executive management**

Flemming Pedersen
CEO

_____

**Board of directors**

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