



Interim report for the period January-September 2013

Announcement

12.11.2013

NeuroSearch A/S – Interim report for the period January-September 2013

The NeuroSearch Group (NEUR) realised an operating loss of DKK 8 million (a loss of DKK 446 million in the same period 2012), and a loss after tax of DKK 7 million (a loss of DKK 490 million in the same period 2012).

At 30 September 2013, the company's cash and cash equivalents totalled DKK 94 million (DKK 47 million at 30 September 2012).

Important events in Q3 and until today

- NeuroSearch repaid its remaining mortgage debt in July in connection with the sale of the domicile property. The new owner took over the building on 1 July 2013, and NeuroSearch moved to leased premises at Strandvejen 60, DK-2900 Hellerup in the autumn.
- On 17 July 2013, NeuroSearch announced that the Public Prosecutor for Special Economic and International Crime has charged the company with alleged qualified share price manipulation. The indictment concerns a company announcement released on 3 February 2010 which NeuroSearch corrected at its own initiative on 28 April 2010. On the present basis, NeuroSearch denies the charge and awaits prosecution of the case in court.
- On 31 July 2013, NeuroSearch announced that the Board of Directors had given notice of termination to the CEO, René Schneider. This was done as a natural step in the strategy for winding up the company's activities as the Board of Directors wanted to mitigate the company's costs in connection with its day-to-day operations. Mr. Schneider is still the company's CEO, but the parties have agreed that Mr. Schneider will be released from his duties no later than 30 November 2013. The company expects to announce changes in Management and Board composition following Mr. Schneiders release from his position no later than end of November.

Update on the company's activities

Significant efforts have been made by the management and the Board of Directors to divest the remaining activities. Negotiations have been held with a number of parties, including with respect to a sale of the entire company and its tax loss carried forward. However, all efforts to sell the company or reach any other arrangement for continuing the operation of the company in the longer term, e.g. through a merger with another company, have so far been unsuccessful.

The main reason is that the company was charged in July 2013 by the Public Prosecutor for Special Economic and International Crime (SEIC) with respect to an event in the spring of 2010. The charge against the company is for share price manipulation, which the company denies. It is expected that the hearing in court will take place in mid-2014 at the earliest.

Until a final judgment is available in the case, NeuroSearch does not expect any sale, merger or the like of the company as the consequences of a judgment will be largely unknown to a potential buyer or merger partner. For the same reason the company is not able to pay out dividend or initiate a liquidation.



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The operation of the company will therefore be continued with as few expenses as possible.

Outlook for 2013

NeuroSearch upgrades its guidance for 2013 from an operating loss of approximately DKK 15 million to an operating loss of approximately DKK 10 million.

The above outlook does not take into account any loss or profit arising out of a potential sale of the remaining NeuroSearch assets.

Allan Andersen
Chairman of the Board of Directors

René Schneider
CEO

Contact person

René Schneider, CEO, telephone: +45 2911 2097

About NeuroSearch

NeuroSearch A/S (NEUR) is listed on NASDAQ OMX Copenhagen A/S.



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Financial review

Liquidity and capital resources

At 30 September 2013, the company's cash and cash equivalents totalled DKK 94 million (DKK 47 million at 30 September 2012).

Income statement

The NeuroSearch Group realised an operating loss of DKK 8 million (a loss of DKK 446 million in the same period 2012), and a loss after tax of DKK 7 million (a loss of DKK 490 million in the same period 2012).

Revenue

In April, Teva released the DKK 29 million held in escrow (DKK 0 million in the same period 2012) relating to the final transfer of Huntexil®.

Costs

Consolidated costs totalled DKK 37 million (DKK 446 million in the same period 2012) of which development costs amounted to DKK 22 million (DKK 437 million in the same period 2012). Development costs primarily relate to payroll costs and a proportionate part of the total fixed costs. Development costs in 2012 included an impairment of Huntexil® of DKK 386 million as well as contingent payments to the sellers of Carlsson Research.

General and administrative costs totalled DKK 14 million (DKK 9 million in the same period of 2012). General and administrative costs primarily comprise payroll costs and a proportionate share of fixed costs. The increase in general and administrative costs was mainly due to provisions for payroll costs payable in connection with the termination and release from duties of the remaining staff.

Net financials

Net financials amounted to a net income of DKK 1 million (a net expense of DKK 38 million in the same period 2012). NeuroSearch put the company's property up for sale in 2012, and as a result the negative value of an interest rate swap was reversed from equity and recognised in financial costs in a total amount of DKK 24 million.

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 0 million (a loss of DKK 1 million in the same period 2012).

Loss of continuing operations

An operating loss before tax of continuing operations for the period was posted in the amount of DKK 7 million (a loss of DKK 484 million in the same period 2012).

Net profit of discontinuing operations

A profit for the period of discontinuing operations was posted in the amount of DKK 15 million (DKK 52 million in the same period 2012). The profit relates to the sale of the company's laboratory equipment and office furniture etc., which was completed in the first half of 2013. NeuroSearch has received payment from the sale.

Balance sheet

At 30 September 2013, the balance sheet stood at DKK 101 million (DKK 139 million in the same period 2012).



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Subsidiaries and associated companies

At 30 September 2013, 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 (17.8%).

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 Hellerup, Denmark.

On 18 March 2013, NeuroSearch announced coming staff terminations, which took place during the subsequent days, as a consequence of the company's reduced activity level.

On 31 July 2013, the company announced that CEO René Schneider had been given notice of termination. René Schneider continues as the company's CEO until further notice, but the parties have agreed that René Schneider will be released from his duties no later than 30 November 2013.

By the end of November 2013, there will be one employee not under notice left in the company.

Financial expectations to 2013

NeuroSearch upgrades its guidance for 2013 from an operating loss of approximately DKK 15 million to an operating loss of approximately DKK 10 million.

The above outlook does not take into account any loss or profit arising out of a potential sale of the remaining NeuroSearch assets.



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FINANCIAL HIGHLIGHTS AND PER SHARE RATIOS

(DKK million)	GROUP				
	Q3 2013 (3 months)	Q3 2012 (3 months)	1/1-30/9-2013 (9 months)	1/1-30/9- 2012 (9 months)	2012 (12 months)
Income statement and statement of comprehensive income:					
Revenue	-	-	28.8	-	120.7
Development costs	2.3	14.1	19.9	437.3	457.2
General and administrative costs	7.1	2.4	14.4	9.0	(46.7)
Operating profit/(loss)	(9.4)	(16.5)	(7.9)	(446.3)	(289.8)
Net financials	(3.1)	(7.4)	0.9	(37.9)	(37.2)
Profit/(loss) of continuing operations before taxes	(12.5)	(23.9)	(7.0)	(484.2)	(327.1)
Net profit/(loss) of discontinued operations	2.8	-	14.8	52.3	57.4
Profit/(loss) for the period	(9.7)	(23.9)	7.8	(437.7)	(275.6)
Total comprehensive income for the period	(8.5)	(18.3)	6.3	(403.3)	(243.5)
Balance sheet:					
Total assets			101.3	139.2	207.5
Cash and cash equivalents and securities			94.3	46.6	81.4
Equity			87.6	(79.0)	81.1
Per share ratios (DKK):					
Earnings per share*	(0.39)	(0.97)	0.32	(17.82)	(11.22)
Diluted earnings per share	(0.39)	(0.97)	0.32	(17.82)	(11.22)
Net asset value			3.57	(1.3)	3.30
Market price at end of period			3.60	4.19	3.74
Market price/net asset value			1.01	(3.22)	1.13
Average number of employees					
Average number of employees			21	104	88
Number of employees at the end of period					
Number of employees at the end of period			3	29	29

* Per share of DKK 1 nominal value.

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				
	Q3 2013 (3 months)	Q3 2012 (3 months)	1/1-30/9-2013 (9 months)	1/1-30/9-2012 (9 months)	2012 (12 months)
Income statement:					
Revenue	-	-	28.8	-	120.7
Development costs	2.3	14.1	22.2	437.3	457.2
General and administrative costs	7.1	2.4	14.4	9.0	(46.7)
Total costs	9.4	16.5	36.6	446.3	410.5
Operating profit/(loss)	(9.4)	(16.5)	(7.9)	(446.3)	(289.8)
Share of profit/(loss) of associates	-	-	-	(1.1)	(1.0)
Net other financials	(3.1)	(7.4)	0.9	(36.8)	(36.2)
Net profit/(loss) of continuing operations before taxes	(12.5)	(23.9)	(7.0)	(484.2)	(327.1)
Tax on profit/(loss) for the period of continuing operations	-	-	-	(5.8)	(5.8)
Net profit/(loss) of continuing operations	(12.5)	(23.9)	(7.0)	(490.0)	(332.9)
Profit/(loss) of discontinued operations	2.8	-	14.8	52.3	57.4
Net profit/(loss)	(9.7)	(23.9)	7.8	(437.7)	(275.6)
Statement of comprehensive income:					
Net profit/(loss)	9.7	(23.9)	7.8	(437.7)	(275.6)
<i>Other comprehensive income:</i>					
Fair value adjustment of hedging instruments	-	-	-	22.1	22.1
Exchange rate adjustment of new investment in foreign subsidiary	1.2	5.6	(1.5)	13.2	10.9
Fair value adjustment of hedge of net investment in foreign subsidiary	-	-	-	(0.9)	(0.9)
Total other comprehensive income	1.2	5.6	(1.5)	34.4	32.1
Total comprehensive income	(8.5)	(18.3)	6.3	(403.3)	(243.5)
Earnings per share, DKK	(0.39)	(0.97)	0.32	(17.82)	(11.22)
Diluted earnings per share, DKK	(0.39)	(0.97)	0.32	(17.82)	(11.22)
Earnings per share, DKK (continuing operations)	(0.51)	(0.97)	(0.28)	(19.96)	(13.56)
Diluted earnings per share, DKK (continuing operations)	(0.51)	(0.97)	(0.28)	(19.96)	(13.56)



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CONDENSED BALANCE SHEET

(DKK million)	GROUP		
	30 September 2013	30 September 2012	31 December 2012
Available-for-sale property, plant and equipment	-	52.4	111.0
Receivables	7.0	40.2	15.1
Cash and cash equivalents and securities	94.3	46.6	81.4
Total assets	101.3	139.2	207.5
Equity	87.6	(79.0)	81.1
Current liabilities	13.7	218.2	126.4
Total equity and liabilities	101.3	139.2	207.5

CONDENSED CASH FLOW STATEMENT

(DKK million)	GROUP		
	1/1-30/9-2013 (9 months)	1/1-30/9-2012 (9 months)	2012 (12 months)
Cash flows from operating activities	3.1	(124.0)	(55.8)
Cash flows from investing activities	21.3	152.0	166.5
Cash flows from financing activities	9.7	(51.3)	(84.1)
Net cash flow	34.2	(23.3)	26.7
Unrealised gain/(loss) on securities	-	0.9	0.6
Net change in cash and cash equivalents	34.2	(22.4)	27.3
Cash and cash equivalents at beginning of period	60.1	32.8	32.8
Cash and cash equivalents at end of period	94.3	10.4	60.1
Securities at the end of period	-	36.2	21.3
Cash and cash equivalents and securities at end of period	94.3	46.6	81.4

For a breakdown of "cash and cash equivalents" and "securities" as of 30 September 2013, see notes 2 and 3.



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MOVEMENTS IN EQUITY

2013 GROUP (DKK thousand)	Share capital	Share premium	Currency translation reserve	Other reserves	Retained earnings	Total
Equity at 1 January 2013	24,554	0	21,976	0	34,522	81,052
Total recognised income for the period	-	-	(1,565)	-	7,819	6,254
Right issue	-	-	-	-	-	0
Employee warrant programme	-	-	-	-	282	282
Transfer	-	-	-	-	-	0
Equity at 30 September 2013	24,554	0	20,411	0	42,623	87,588

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	-	-	12,344	22,071	(437,744)	(403,329)
Reduction of share capital	(466,525)	-	-	-	466,525	0
Right issue	-	(4,639)	-	-	-	(4,639)
Reversal of expenses relating to right issue	-	7,438	-	-	-	7,438
Employee warrant programme	-	-	-	-	886	886
Transfer	-	(2,799)	-	-	2,799	0
Equity at 30 September 2012	24,554	0	24,313	0	(127,879)	(79,012)

SHARE CAPITAL

(DKK thousand)	30 September 2012	30 September 2013
Share capital 1 January	491,079	24,554
Capital reduction	(466,525)	-
Share capital 30 September	24,554	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 2012. The Annual Report 2012 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 2012, pages 20-24.

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 2012. The principles are described in the Annual Report 2012 in note 1 to the financial statements (page 30).

2. Cash and cash equivalents

Cash and cash equivalents can be specified as follows:

(DKK million)	30 September 2013	30 September 2012	31 December 2012
Money market accounts	94.3	10.4	60.1
Cash and cash equivalents end of period	94.3	10.4	60.1

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 counterparty is Nordea.



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3. Securities

Securities can be specified as follows:

(DKK million)	30 September 2013	30 September 2012	31 December 2012
Danish mortgage bonds	-	36.2	21.4
Total securities end of period	0	36.2	21.4

4. Treasury shares

	Number of Shares	Nominal value	Percentage of share capital	Market value DKK million
1 January 2013	265,946	265,946	1.08	1.0
Adjustments	-	-	-	-
Treasury shares at 30 September 2013	265,946	265,946	1.08	1.0

5. Tangible assets determined for sale

In May 2013, NeuroSearch announced that its land and building had been sold to PKA effective 1 July 2013. The land and building was sold for DKK 112.5 million and had a book value of DKK 111 million on 31 December 2012. In connection with the sale of the land and building, all remaining mortgage debts were settled in early July 2013.



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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 30 September 2013. 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 30 September 2013 and of the results of operations and cash flows for the period 1 January to 30 September 2013. 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.

Hellerup, 12 November 2013

Executive Management

René Schneider
CEO

Board of Directors

Allan Andersen
Chairman

Christian Lundgren

Torbjörn Bjerke

Morten Henrik Nielsen
