



**H1 report 2014**

**Announcement**

28 August 2014

**NeuroSearch A/S – H1 report 2014**

The NeuroSearch Group posted an operating loss of DKK 10 million in H1 2014 (H1 2013: a profit of DKK 2 million) and a loss after tax of DKK 6 million (H1 2013: a profit of DKK 18 million).

At 30 June 2014, cash and cash equivalents totalled DKK 84 million (30 June 2013: DKK 63 million).

**Events in Q2 and until today:**

- On 8 August 2014 NeuroSearch was convicted of share price manipulation in violation of the rules of the Danish Securities Trading Act in an action brought by the Public Prosecutor for Special Economic and International Crime (SEIC). The company was concurrently ordered to pay a fine of DKK 5 million. The company's former CEO was convicted in a parallel action.
- On 18 August, NeuroSearch elected to appeal the decision of the City Court of Copenhagen to the Eastern High Court as the Board of Directors believes there is neither basis for convicting the company of share price manipulation, nor for imposing a fine of DKK 5 million. The Board of Directors further believes that it is in the interest of the company's shareholders that the matter be submitted to the High Court.

Against that background, management believes that clarification on the future of the company will have to wait until the outcome of the appeal is available. Information on when the High Court is going deal with the case has not yet been received.

**Update on the company's assets**

The company is currently in the process of exploring the possibility of a controlled disposal of some of the remaining assets. The potential of a merger or a similar solution is also being investigated.

*Clinical projects – NeuroSearch does not conduct any further development, but is trying to identify opportunities to divest the projects on an "as is" basis:*

- Tesofensine for the treatment of obesity (completed Phase II)/NS2359 (completed Phase I)
- Seridopidine for the treatment of CNS disorders (completed Phase I)
- Ordopidine for the treatment of CNS disorders (completed Phase I)

*Moreover the company has investments in:*

- NsGene: 26.8%
- Atonomics: 17.4%



## H1 2014 Report

### *Licence agreements:*

- Potential milestone payments from Teva Pharmaceuticals of up to DKK 55 million relating to the development of Huntexil®
- Potential payments from Saniona in the form of milestone payments and royalties and/or repayment of loan of EUR 340,000 (DKK 2.5 million) provided by NeuroSearch in connection with the transfer agreement entered into with Saniona in 2012

The value of the assets listed above is subject to substantial uncertainty as no established market exists for such assets.

In addition, NeuroSearch calculated the value as of 31 December 2013 of its unrecognised tax losses carried forward at approximately DKK 1.8 billion, and deductible temporary differences at approximately DKK 0.5 billion, or a total of DKK 2.3 billion. Under certain conditions, the unrecognised tax assets may be exploited in full or in part by a potential buyer of NeuroSearch.

### **Outlook for 2014**

In 2014, NeuroSearch expects an operating loss of approximately DKK 15 million, as the company has elected to retain the DKK 5 million provision for the fine imposed by the City Court of Copenhagen, although the decision has been appealed. This does not include any loss or profit arising out of a potential sale NeuroSearch's remaining assets.

Allan Andersen  
CEO

### **Contact person**

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### **About NeuroSearch**

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



## H1 2014 Report

### Financial review

#### Liquidity and capital resources

At 30 June 2014, the company's cash and cash equivalents totalled DKK 84 million (30 June 2013: DKK 63 million).

#### Income statement

The NeuroSearch Group realised an operating loss of DKK 10 million in H1 2014 (H1 2013: a profit of DKK 2 million). The financial result after tax was a loss of DKK 6 million in H1 (H1 2013: a profit of DKK 18 million). On 8 August 2014, the City Court of Copenhagen ordered NeuroSearch to pay a fine of DKK 5 million for violating section 39 of the Danish Securities Trading Act. A provision for the fine has been made as of 30 June 2014.

#### Gain from divestment of intellectual property

No gain from divestment of intellectual property was generated in the period (H1 2013: DKK 29 million relating to the transfer of Huntexil® to Teva).

#### Costs

Consolidated costs totalled DKK 10 million (H1 2013: DKK 27 million). Out of the DKK 10 million, DKK 5 million represents a provision for the fine the company was ordered to pay for violating section 39 of the Danish Securities Trading Act.

#### Net financials

Net financials amounted to a net income of DKK 4 million, which primarily concerns foreign exchange adjustments (H1 2013: DKK 4 million).

#### Balance sheet

By the end of the first half year 2014, the balance sheet stood at DKK 85 million (30 June 2013: DKK 182 million).

#### Subsidiaries and associated companies

At 30 June 2014, 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 (17.4%).

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

#### Financial expectations to 2014

In 2014, NeuroSearch expects an operating loss of approximately DKK 15 million, as the company has elected to retain the DKK 5 million provision for the fine imposed by the City Court of Copenhagen, although the decision has been appealed. This does not include any loss or profit arising out of a potential sale NeuroSearch's remaining assets.



**H1 2014 Report**

**FINANCIAL HIGHLIGHTS AND PER SHARE RATIOS**

(DKK million )	GROUP		
	H1 2014 (6 months)	H1 2013 (6 months)	2013 (12 months)
<b>Income statement and statement of comprehensive income:</b>			
Gain from divestment of intellectual property	-	28.8	28.8
Development costs	-	19.9	21.7
General and administrative costs	9.8	7.3	16.7
Operating profit/(loss)	9.8	1.6	(9.6)
Net financials	3.7	4.0	5.1
Profit/(loss) of continuing operations before taxes	(6.1)	5.6	(4.5)
Net profit/(loss) of discontinued operations	-	12.0	15.6
Profit/(loss) for the period	(6.1)	17.6	12.4
Total comprehensive income for the period	(9.7)	17.3	6.6
<b>Balance sheet:</b>			
Total assets	84.9	182.2	92.2
Cash and cash equivalents and securities	84.1	62.8	88.8
Equity	78.2	98.6	88.0
<b>Per share ratios (DKK):</b>			
Earnings per share*	(0.25)	0.71	0.50
Diluted earnings per share	(0.25)	0.71	0.50
Net asset value	3.18	4.02	3.58
Market price at end of period	3.45	4.38	3.10
Market price/net asset value	1.08	1.09	0.87
<b>Average number of employees</b>			
Average number of employees	2	24	18
<b>Number of employees at the end of period</b>			
Number of employees at the end of period	2	19	2

\* 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.



**H1 2014 Report**

**CONDENSED TOTAL INCOME STATEMENT**

(DKK million)	GROUP		
	H1 2014 (6 months)	H1 2013 (6 months)	2013 (12 months)
<b>Income statement:</b>			
Gain from divestment of intellectual property	-	28.8	28.8
Development costs	-	19.9	21.7
General and administrative costs	9.8	7.3	16.7
Total costs	9.8	27.2	38.4
<b>Operating profit/(loss)</b>	<b>(9.8)</b>	<b>1.6</b>	<b>(9.6)</b>
Share of profit/(loss) of associates	-	-	-
Net other financials	3.7	4.0	5.1
<b>Net profit/(loss) of continuing operations before taxes</b>	<b>(6.1)</b>	<b>5.6</b>	<b>(4.5)</b>
Tax on profit/(loss) for the period of continuing operations	-	-	1.3
<b>Net profit/(loss) of continuing operations</b>	<b>(6.1)</b>	<b>5.6</b>	<b>(3.2)</b>
Profit/(loss) of discontinued operations	-	12.0	15.6
<b>Net profit/(loss)</b>	<b>(6.1)</b>	<b>17.6</b>	<b>12.4</b>
<b>Statement of comprehensive income:</b>			
Net profit/(loss)	(6.1)	17.6	12.4
<i>Other comprehensive income:</i>			
Exchange rate adjustment of new investment in foreign subsidiary	(3.6)	(0.3)	(5.7)
<b>Total other comprehensive income</b>	<b>(3.6)</b>	<b>(0.3)</b>	<b>(5.7)</b>
<b>Total comprehensive income</b>	<b>(9.7)</b>	<b>17.3</b>	<b>6.6</b>
Earnings per share, DKK	(0.25)	0.71	0.50
Diluted earnings per share, DKK	(0.25)	0.71	0.50
Earnings per share, DKK (continuing operations)	(0.25)	0.23	(0.13)
Diluted earnings per share, DKK (continuing operations)	(0.25)	0.23	(0.13)



**H1 2014 Report**

**CONDENSED BALANCE SHEET**

(DKK million)	GROUP		
	30 June 2014	30 June 2013	31 December 2013
Available-for-sale property, plant and equipment	-	111.0	-
Receivables	0,7	8.4	3.4
Cash and cash equivalents and securities	84.1	62.8	88.8
<b>Total assets</b>	<b>84.8</b>	<b>182.2</b>	<b>92.2</b>
Equity	78.2	98.6	88.0
Current liabilities	6.6	83.6	4.2
<b>Total equity and liabilities</b>	<b>84.8</b>	<b>182.2</b>	<b>92.2</b>

**CONDENSED CASH FLOW STATEMENT**

(DKK million)	GROUP		
	H1 2014 (6 months)	H1 2013 (6 months)	2013 (12 months)
Cash flows from operating activities	(8.5)	5.1	(47.1)
Cash flows from investing activities	-	21.3	172.9
Cash flows from financing activities	3.7	(23.7)	(97.0)
<b>Net cash flow</b>	<b>(4.7)</b>	<b>2.7</b>	<b>28.8</b>
Cash and cash equivalents at beginning of period	88.8	60.1	60.1
<b>Cash and cash equivalents and securities at end of period</b>	<b>84.1</b>	<b>62.8</b>	<b>88.8</b>

For a breakdown of "cash and cash equivalents" and "securities" as of 30 June 2014, see notes 2.



**H1 2014 Report**

**MOVEMENTS IN EQUITY**

<b>2014 GROUP (DKK thousand)</b>	Share capital	Currency translation reserve	Retained earnings	Total
Equity at 1 January 2014	24,554	16,234	47,162	87,950
Total recognised income for the period	-	(3,635)	(6,127)	(9,762)
Employee warrant programme	-	-	-	0
Transfer	-	-	-	0
<b>Equity at 30 June 2014</b>	<b>24,554</b>	<b>12,599</b>	<b>41,035</b>	<b>78,188</b>

<b>2013 GROUP (DKK thousand)</b>	Share Capital	Currency translation reserve	Retained earnings	Total
Equity at 1 January 2013	24,554	21,976	34,522	81,052
Total recognised income for the period	-	(275)	17,556	17,281
Employee warrant programme	-	-	282	282
Transfer	-	-	-	0
<b>Equity at 30 June 2013</b>	<b>24,554</b>	<b>21,701</b>	<b>52,360</b>	<b>98,615</b>

**SHARE CAPITAL**

<b>(DKK thousand)</b>	<b>30 June 2013</b>	<b>30 June 2014</b>
Share capital 1 January	24,554	24,554
Capital reduction	-	-
<b>Share capital 30 June</b>	<b>24,554</b>	<b>24,554</b>



**H1 2014 Report  
 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 2013. The Annual Report 2013 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 2013, pages 19-23.

**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 2013. The principles are described in the Annual Report 2013 in note 1 to the financial statements (page 29-30).

**2. Cash and cash equivalents**

Cash and cash equivalents can be specified as follows:

(DKK million)	30 June 2014	30 June 2013	31 December 2013
Money market accounts	4.1	62.8	88.8
	80.0	-	-
<b>Cash and cash equivalents end of period</b>	<b>84.1</b>	<b>62.8</b>	<b>88.8</b>

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, which has Moody's ratings of P-1 and A1 short-term and long-term, respectively.

**3. Treasury shares**

	Number of Shares	Nominal value	Percentage of share capital	Market value DKK million
1 January 2014	265,946	265,946	1.08	0.8
Adjustments	-	-	-	0.1
<b>Treasury shares at 30 June 2014</b>	<b>265,946</b>	<b>265,946</b>	<b>1.08</b>	<b>0.9</b>





## H1 2014 Report

### MANAGEMENT STATEMENT

The Board of Directors and Executive Management today considered and approved the interim report for the period 1 January to 30 June 2014. 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 June 2014 and of the results of operations and cash flows for the period 1 January to 30 June 2014. 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, 28 August 2014

### Executive Management

Allan Andersen  
CEO

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### Board of Directors

Karin Garre  
Chairman

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Allan Andersen

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Christian Lundgren

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