The information contained herein is for a public offering in the Kingdom of Denmark. No actions have been taken to register or qualify the offering or otherwise permit a public offering of the securities in any jurisdiction other than Denmark and the United Kingdom (into which this prospectus has been passported).

The information contained herein is not for publication or distribution to persons in the United States of America or any other jurisdiction other than Denmark or the United Kingdom. Any securities referred to herein have not been and will not be registered under the U.S. Securities Act of 1933, as amended, and may not be offered or sold without registration thereunder or pursuant to an available exemption therefrom. NeuroSearch A/S does not intend to register any portion of the offering in the United States or to conduct a public offering of preemptive rights or securities in the United States.

UK OFFERING CIRCULAR **Dated 31 October 2007**

This offering circular (the "Offering Circular") has been translated from Danish into English. In the event of any discrepancies between this English-language version and the Danish-language version, the Danish-language version shall be the governing text.

NEUROSEARCH A/S

(a public limited company incorporated in Denmark, CVR no. 12546106)

Rights Issue of up to a maximum of 2,765,593 new Shares
of DKK 20 nominal value each at DKK 280 per Share
with preemptive rights to Existing Shareholders at the ratio of 2:9

This Offering Circular has been prepared in connection with a capital increase comprising an offering (the "Offering") of up to a maximum of 2,765,593 new shares (the "Offered Shares") with a nominal value of DKK 20 each of NeuroSearch A/S (the "Company") with preemptive rights to Existing Shareholders to subscribe for the Offered Shares at the ratio of 2:9.

Prior to the Offering, the Company had 12,445,171 Existing Shares of DKK 20 each and, consequently, a nominal share capital of DKK 248,903,420.

At an extraordinary general meeting held on 14 May 2007, the Company's Shareholders adopted a proposal to authorise the Board of Directors to increase the share capital, during the period until 31 December 2011, in one or more issues by a nominal value of up to DKK 60,000,000 (3,000,000 Shares of DKK 20 each).

Pursuant to the Articles of Association, Article 5, the Board of Directors passed a resolution on 31 October 2007 to increase the Company's share capital. The maximum capital increase is DKK 55,311,860 nominal value (2,765,593 Offered Shares of DKK 20 each). The capital increase will be effected with preemptive rights to the Existing Shareholders to the effect that two (2) Preemptive Rights will be issued for each Existing Share.

On Friday, 9 November 2007 at 12.30 p.m. CET (the "Allocation Time") any person registered at VP Securities Services *(Værdipapircentralen A/S)* as a shareholder of the Company (each an "Existing Shareholder") will be allocated two (2) preemptive rights ("Preemptive Right") for each existing share held (the "Existing Shares"). For every nine Preemptive Rights, the holder will be entitled to subscribe one (1) Offered Share at a price of DKK 280 per Offered Share (the "Offer Price"), which is below the officially quoted price on Monday 29 October 2007 of DKK 405 per Existing Share. Due to the subscription ratio of 2:9 and the number of Existing Shares in the Company prior to the Offering (12,445,171 Shares), there will be an excess of 5 Preemptive Rights even if all Offered Shares are subscribed.

The trading period for the Preemptive Rights will commence on Wednesday, 7 November 2007 at 9.00 a.m. CET and close on Tuesday, 20 November 2007 at 5.00 p.m. CET. The Subscription Period for the Offered Shares commences on Monday, 12 November 2007 at 9.00 a.m. CET and closes on Friday, 23 November 2007 at 5.00 p.m. CET. Preemptive Rights that are not exercised during the Subscription Period will lapse with no value, and the holder of such Preemptive Rights will not be entitled to compensation. Preemptive Rights that have been exercised cannot be revoked or modified. The Preemptive Rights have been approved for listing on the OMX Nordic Exchange Copenhagen A/S ("OMX Nordic Exchange Copenhagen").

For a discussion of certain factors that you should consider before deciding whether to subscribe for Offered Shares in the Offering, see "Risk factors".

The Offering is not underwritten.

The Offering comprises a public offering in Denmark and the United Kingdom and a private placement in other jurisdictions.

This Offering Circular may not be distributed to or otherwise be made available in the United States, Canada, Australia or Japan. The Offered Shares may not be offered or sold and the Preemptive Rights may not be exercised or otherwise offered or sold in the United States, Canada, Australia or Japan, unless such offering, sale or exercise is permitted under applicable laws of the relevant jurisdiction, and the Company and the Joint Global Coordinators must receive satisfactory documentation to that effect. The Offered Shares may not be offered or sold and the Preemptive Rights may not be exercised or otherwise offered or sold in any other jurisdiction, unless such offering, sale or exercise is permitted under applicable laws of the relevant jurisdiction, and the Company and the Joint Global Coordinators may require receipt of satisfactory documentation to that effect. Due to such restrictions under applicable laws, the Company expects that certain investors residing in the United States, Canada, Australia, Japan and other jurisdictions may not be able to exercise the Preemptive Rights and subscribe for the Offered Shares.

The Preemptive Rights and the Offered Shares have not been approved by the US Securities and Exchange Commission, any state securities commission in the United States or any other US regulatory authority, nor have any of such regulatory authorities passed upon or endorsed the merits of the Offering or the accuracy or adequacy of this Offering Circular. Any representation to the contrary is a criminal offence in the United States.

The Preemptive Rights and the Offered Shares have not been and will not be registered under the US Securities Act of 1933, as amended (the "Securities Act") and thus Preemptive Rights may not be exercised or otherwise offered or sold in the United States and Offered Shares may not be subscribed for, offered or sold in the United States unless they are registered under the Securities Act or an exemption from such registration requirements is available. Any person in the United States wishing to exercise Preemptive Rights and subscribe for Offered Shares must execute and deliver an investor letter satisfactory to the Company and the Joint Global Coordinators to the effect that such exercise of Preemptive Rights and subscription of Offered Shares would be in compliance with US law, see "III.5.m. Jurisdictions in which the Offering will be made and restrictions applicable to the Offering".

The Company's Existing Shares are listed on the OMX Nordic Exchange Copenhagen under the symbol DK0010224666 (NEUR).

The Offered Shares will not be listed on the OMX Nordic Exchange Copenhagen until after registration of the capital increase with the Danish Commerce and Companies Agency. The listing and trading of the Offered Shares under the temporary securities code on the OMX Nordic Exchange Copenhagen is expected to take place on Wednesday, 28 November 2007. The temporary securities code is expected to be merged with the permanent securities code for the Existing Shares (ISIN code DK0010224666) as soon as possible following the registration of the capital increase with the Danish Commerce and Companies Agency. The merger of the securities codes is expected to take place on Thursday, 29 November 2007.

The Preemptive Rights and the Offered Shares will be available for delivery by allocation to accounts through the book-entry facilities of VP Securities Services. The Offered Shares have been accepted for clearance through Euroclear Bank S.A./N.V. as operator of the Euroclear System ("Euroclear") and Clearstream Banking S.A. ("Clearstream").

In connection with the Offering, the Joint Global Coordinators may from commencement of the Offering until 30 days after the first day of listing of the Offered Shares effect transactions which stabilise or maintain the market prices of the Preemptive Rights (stabilising actions regarding the Preemptive Rights will only take place during the trading period for Preemptive Rights), the Offered Shares and the Existing Shares at levels above those which might otherwise prevail in the open market. The Joint Global Coordinators are, however, not obliged to effect any such transactions. Such transactions, if commenced, may be discontinued at any time. The Joint Global Coordinators will act as stabilisation agents.

The Danish-language Offering Circular contains certain additional statements required by the OMX Nordic Exchange Copenhagen for listing purposes in Denmark, including an auditors' report and a statement from the Joint Global Coordinators that are not included in this Offering Circular.

Joint Global Coordinators

Carnegie

Danske Markets

General information

The distribution of this Offering Circular and the Offering may, in certain jurisdictions, be restricted by law, and this Offering Circular may not be used for the purpose of, or in connection with, any offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. This Offering Circular does not constitute an offer of or an invitation to exercise or to purchase any Preemptive Rights or to subscribe for Offered Shares in any jurisdiction in which such offer or invitation would be unlawful. Persons into whose possession this Offering Circular comes shall inform themselves of and observe all such restrictions. Neither the Company nor the Joint Global Coordinators accept any legal responsibility for any violation by any person, whether or not a prospective purchaser of Preemptive Rights or Offered Shares, of any such restrictions. For a more detailed description of certain restrictions in connection with the Offering, see "III.5.m. Jurisdictions in which the Offering will be made and restrictions applicable to the Offering".

This Offering Circular may not be distributed to or otherwise be made available in the United States, Canada, Australia or Japan. Investors from the United States, Canada, Australia or Japan may not participate in the Offering, unless it is permitted under applicable laws of the relevant jurisdiction and the Company and the Joint Global Coordinators must receive satisfactory documentation to that effect. The Offered Shares may not be offered or sold and the Preemptive Rights may not be exercised, offered or sold in any other jurisdiction, unless such offering, sale or exercise is permitted under applicable laws of the relevant jurisdiction, and the Company and the Joint Global Coordinators may require receipt of satisfactory documentation to that effect.

IMPORTANT INFORMATION ABOUT THIS OFFERING CIRCULAR

Investors are authorised to use this Offering Circular solely for the purpose of considering the exercise of or purchase of the Preemptive Rights and subscription of the Offered Shares described in this Offering Circular. NeuroSearch and other sources identified herein have provided the information contained in this Offering Circular. The Joint Global Coordinators make no warranty, express or implied, as to the accuracy or completeness of such information, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise or representation by the Joint Global Coordinators. Investors may not reproduce or distribute this Offering Circular, in whole or in part, and investors may not disclose any of the contents of this Offering Circular or use any information herein for any purpose other than considering the exercise of or purchase of Preemptive Rights and the subscription of Offered Shares. Investors agree to the foregoing by accepting delivery of this Offering Circular.

Prospective holders of the Preemptive Rights and prospective subscribers of the Offered Shares should make an independent assessment as to whether the information in the Offering Circular is relevant, and any exercise or purchase of the Preemptive Rights and any subscription of the Offered Shares should be based on the examinations that the holder or subscriber in question may deem necessary.

In addition to their own examination of NeuroSearch and the terms of the Offering, including the merits and risks involved, investors should rely only on the information contained in this Offering Circular, including the risk factors described herein, and any notices required under the listing regulations of the OMX Nordic Exchange Copenhagen that are published by the Company and expressly amend this Offering Circular.

The Offering is subject to Danish law and this Offering Circular has been prepared in compliance with the standards and requirements set out in Danish legislation. This Offering Circular has thus been prepared in compliance with the Danish Financial Supervisory Authority's and the OMX Nordic Exchange Copenhagen's applicable rules on offering circulars. This Offering Circular has been produced for use in connection with the Offering in a Danish-language version and in an English-language version. In case of any discrepancies, the Danish-language version of this Offering Circular shall be the governing text. The Danish-language version of the Offering Circular contains certain additional statements required under the applicable rules for admitting shares for listing on the OMX Nordic Exchange Copenhagen, including an auditor's report and a statement from the Joint Global Coordinators, that are not included in this Offering Circular.

In connection with the Offering, the Joint Global Coordinators or their respective affiliates acting as investors for their own account, may exercise, sell or purchase Preemptive Rights and offer, sell or subscribe for Offered Shares in the Offering. They may in this capacity for their own account hold, buy or sell such securities and any other of the Company's securities and any investments related thereto, and they may offer or sell such securities or other investments in contexts other than in connection with the Offering. References in this Offering Circular to the Preemptive Rights being allocated, exercised or sold and the Offered Shares being subscribed for, offered or sold should therefore be considered to comprise such offers or placements of securities to the Joint Global Coordinators or their respective affiliates. The Joint Global Coordinators do not intend to disclose the extent of any such investments or transactions other than in compliance with legal or regulatory requirements to do so.

No person is authorised to give any information or to make any representation in connection with the Offering other than as contained in this Offering Circular and any amendments thereto, and if given or made, such information or representation must not be relied upon as having been made or authorised by the Company or the Joint Global Coordinators. Neither the delivery of this Offering Circular nor the subscription of the Offered Shares shall create any implication that the information contained in this Offering Circular is correct as at any time subsequent to the date on the front cover of this Offering Circular (the "Offering Circular Date") or that there have been no changes in the affairs of NeuroSearch since the date hereof. Any material change as compared with the contents of this Offering Circular will be published as a supplement pursuant to applicable laws, rules and regulations.

The Preemptive Rights and the Offered Shares may be subject to restrictions on transferability and resale under applicable securities legislation in certain jurisdictions and may not be exercised, transferred or resold unless permitted under applicable securities legislation. Persons into whose possession this Offering Circular may come undertake to inform themselves about and to observe such restrictions. Neither the Company nor either of the Joint Global Coordinators assumes any legal responsibility for any violation of these restrictions by any person, irrespective of whether such person is a potential holder of the Preemptive Rights and a potential subscriber of the Offered Shares.

The Offered Shares may not be offered or sold and the Preemptive Rights may not be exercised or otherwise offered or sold in the United States, Canada, Australia or Japan, unless such exercise, offer or sale is permitted under applicable laws of the relevant jurisdiction, and the Company and the Joint Global Coordinators must receive satisfactory documentation to that effect. The Offered Shares may not be offered or sold and the Preemptive Rights may not be exercised or otherwise offered or sold in any other jurisdiction, unless such exercise, offer or sale is permitted under applicable laws of the relevant jurisdiction, and the Company and the Joint Global Coordinators may require receipt of satisfactory documentation to that effect.

Due to such restrictions under applicable laws, the Company expects that certain investors residing in the United States, Canada, Australia, Japan and other jurisdictions may not be able to exercise the Preemptive Rights and subscribe for the Offered Shares.

Prospective holders of the Preemptive Rights and prospective subscribers of the Offered Shares should make their own individual assessment of the legal basis of and consequences of the Offering, including possible tax consequences and possible foreign exchange restrictions which may apply before deciding whether to invest in the Preemptive Rights and the Offered Shares.

NOTICE TO INVESTORS IN THE UNITED STATES

The Offering consists of a public offering in Denmark and the United Kingdom and a private placement in other jurisdictions.

The Preemptive Rights and the Offered Shares have not been approved by the US Securities and Exchange Commission, or with the securities or other regulatory authority of any state or other jurisdiction in the United States nor have any of such regulatory authorities passed upon or endorsed the merits of the Offering or the accuracy or adequacy of this Offering Circular. Any representation to the contrary is a criminal offence in the United States.

The Preemptive Rights and the Offered Shares have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction in the United States. Any person in the United States wishing to exercise Preemptive Rights and subscribe for Offered Shares must execute and deliver an investor letter satisfactory to the Company and the Joint Global Coordinators to the effect that such person is either (i) a "Qualified Institutional Buyer" ("QIB") within the meaning of Rule 144A under the Securities Act or (ii) subscribing for the Offered Shares in an offshore transaction as defined by Regulation S of the Securities Act.

Any person who wishes to exercise Preemptive Rights and subscribe for Offered Shares will be deemed to have declared, warranted and agreed, by accepting delivery of this Offering Circular and delivery of Preemptive Rights or Offered Shares, either that he is exercising the Preemptive Rights and subscribing the Offered Shares in an offshore transaction as defined by Regulation S of the Securities Act, or that he is exercising the Preemptive Rights and subscribing for the Offered Shares in his capacity as a QIB and that he will not re-sell, pledge or otherwise transfer the Preemptive Rights or the Offered Shares except in an offshore transaction meeting the requirements of Regulation S of the Securities Act, or pursuant to an effective registration statement or to an exemption from registration.

In addition, until the expiration of the 40-day period beginning on the Offering Circular Date, an offer to sell or a sale of the Preemptive Rights and the Offered Shares within the United States by a broker/dealer (whether or not it is participating in the Offering) may violate the registration requirements of the Securities Act if such offer to sell or sale is made otherwise than pursuant to the foregoing.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("RSA 421-B") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENCED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE OR CAUSE TO BE MADE TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE CONCERNING THE EUROPEAN ECONOMIC AREA

In relation to each Member of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), no offer of Preemptive Rights and Offered Shares is being made to the public in any Relevant Member State prior to the publication of a prospectus in relation to the Preemptive Rights and the Offered Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, make an offer of Preemptive Rights and Offered Shares to the public in that Relevant Member State at any time:

(a) to legal entities which are authorised or regulated to operate in the financial markets and non-authorised or non-regulated entities, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which fulfils at least two of the following criteria (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than EUR 43,000,000 and (3) an annual net turnover of more than EUR 50,000,000, as shown in its last annual or consolidated accounts;

(c) to fewer than 100 natural or legal persons (other than "qualified investors" as defined in the Prospectus Directive), subject to the prior written consent of the Company and the Joint Global Coordinators; or

(d) in any other circumstances which do not require the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Preemptive Rights and Offered Shares to the public" in relation to any Preemptive Rights and Offered Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offering, the Preemptive Rights and the Offered Shares so as to enable an investor to decide whether to subscribe for the Offered Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State. The expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State. The Company has chosen to passport the Offering Circular for use in the United Kingdom in accordance with the Prospectus Directive.

STABILISATION

IN CONNECTION WITH THE OFFERING, THE JOINT GLOBAL COORDINATORS MAY FROM COMMENCEMENT OF THE OFFERING UNTIL 30 DAYS AFTER THE FIRST DAY OF LISTING OF THE OFFERED SHARES EFFECT TRANSACTIONS WHICH STABILISE OR MAINTAIN THE MARKET PRICES OF THE PREEMPTIVE RIGHTS (STABILISING ACTIONS REGARDING THE PREEMPTIVE RIGHTS WILL ONLY TAKE PLACE DURING THE TRADING PERIOD FOR PREEMPTIVE RIGHTS), THE OFFERED SHARES AND THE EXISTING SHARES AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. THE JOINT GLOBAL COORDINATORS ARE, HOWEVER, NOT OBLIGED TO EFFECT ANY SUCH TRANSACTIONS. SUCH TRANSACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE JOINT GLOBAL COORDINATORS WILL ACT AS STABILISATION AGENTS.

INDUSTRY, MARKET DATA AND THIRD PARTY INFORMATION

This Offering Circular contains information concerning the markets in which NeuroSearch operates. Any information that is taken from research carried out by external organisations is believed to be reliable, but neither the Company nor the Joint Global Coordinators make any representation as to the accuracy of such information. Accordingly, trends in NeuroSearch's business activities may differ from the market trends set forth in this Offering Circular. The Company undertakes no obligation to update such information. Where information has been sourced from a third party, the Company confirms that this information has been accurately reproduced and, as far as the Company is aware and able to ascertain from information published by such third party, no facts have been omitted which would render the information reproduced inaccurate or misleading. Notwithstanding the generality of the foregoing, the Company disclaims any liability for the correctness and completeness of the public databases that have been used as the basis for Tables 10-13 in "I.5.f. Key Markets".

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

References to "DKK" are to Danish kroner. References to "EUR" or "€" mean the single currency of the participating Member States in the Third Stage of the European and Monetary Union of the Treaty Establishing the European Community, as amended from time to time, and references to "USD" and "dollars" are to US dollars. References to "SEK" are to Swedish kroner. The Company publishes its financial statements in Danish kroner. Unless otherwise stated, the exchange rates used in

this Offering Circular for the currencies mentioned above are the ones as of 30 June 2007: SEK 1 = DKK 0.80, USD 1 = DKK 5.51 and EUR 1 = DKK 7.44. Such rates are provided solely for the convenience of the reader and are not necessarily the rates that the Company uses in the preparation of the financial statements included elsewhere in this Offering Circular. No representation is made that EUR, USD or SEK could have been, or could be, converted into DKK at the rates indicated above.

The Company's consolidated financial statements for the years ended 31 December 2004, 2005 and 2006 presented herein have been extracted from the Company's annual reports for 2004, 2005 and 2006 and were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and additional Danish disclosure requirements for annual reports of listed companies. The Company's interim consolidated financial statements for the six months ended 30 June 2007 with comparative figures for the six months ended 30 June 2006 presented herein have been prepared in accordance with the recognition and measurement requirements of IFRS as adopted by the European Union and the OMX Nordic Exchange Copenhagen guidelines on the presentation of interim financial statements.

In this Offering Circular, various figures and percentages have been rounded and, accordingly, may not equal the total indicated.

The signed statements by the Executive Management in this Offering Circular are made only by the Chief Executive Officer of the Company.

Certain technical terms used in this Offering Circular are defined in "Definitions".

References in the Offering Circular to the "Company" are to NeuroSearch A/S (the parent company of the NeuroSearch group) and references to "NeuroSearch" or to the "Group" are to the Company and its consolidated subsidiaries.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Offering Circular contains certain forward-looking statements, including statements about NeuroSearch's business. In addition to statements that are forward-looking by reason or context, the words "will", "believes", "goals", "anticipates", "intends", "should", "aims", "estimates", "considers", "wishes", "may", and similar expressions identify forward-looking statements. Such forward-looking statements are based on data, assumptions and estimates that the Company considers to be reasonable. They may change or be amended owing to uncertainties related to the economic, financial, competitive and regulatory environment. In addition, NeuroSearch's business activities and its ability to meet its goals may be affected if one or more of the risks that are set forth in this Offering Circular materialise, or if other risks, currently unforeseen or considered insignificant, materialise. See "Risk factors". The Company does not undertake to meet or give any guarantee that it will meet the targets shown in this Offering Circular.

Investors are urged to pay careful attention to the risk factors described in this Offering Circular before making their investment decision. Any one or more of these risks, if they materialise, could have an adverse effect on NeuroSearch's activities, condition, the results of its operations or on its goals. Furthermore, other risks not yet identified or not considered significant by NeuroSearch could have adverse effects and, in either case, investors may lose all or part of their investment.

Forward-looking statements speak only as of the Offering Circular Date. The Company expressly disclaims any obligation or undertaking to update or revise, through press releases or otherwise, any forward-looking statements contained in this Offering Circular to reflect any change in NeuroSearch's expectations or any change in events, conditions or circumstances on which any forward-looking statement contained herein is based.

Forward-looking statements and goals set forth in this Offering Circular may be affected by risks, either known or unknown, uncertainties and other factors that may lead NeuroSearch's future results of operations, performance and achievements to differ significantly from the stated or implied goals. These factors may include changes in economic or trading conditions and regulations, as well as the factors set forth in this Offering Circular. See "Risk factors".

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We hereby declare that we have taken all reasonable care to ensure that, to the best of our knowledge and belief, the information contained in this Offering Circular is in accordance with the facts and contains no omissions likely to affect the import thereof.

Copenhagen, 31 October 2007

NeuroSearch A/S

Board of Directors

Asger Aamund *Chairman*	Marianne Philip *Deputy Chairman*	Allan Andersen
Torbjörn Bjerke	Jørgen Buus Lassen	Torben Skov
Lars Siim Madsen		

Asger Aamund is the CEO of A.J. Aamund A/S
Marianne Philip is an attorney and a partner of the Danish law firm Kromann Reumert.
Allan Andersen is the CEO of Freja Ejendomme A/S.
Torbjörn Bjerke is the CEO of Biolipox AB
Jørgen Buus Lassen is a co-founder of NeuroSearch and a board member of a number of biotech companies.
Torben Skov is a Laboratory Technician at NeuroSearch.
Lars Siim Madsen is Vice President, Head of the Project Matrix Group at NeuroSearch.

Executive Management

Flemming Pedersen
Chief Executive Officer

Summary

This summary should be read as an introduction to this Offering Circular. Any decision to invest in the securities should be based on a consideration of this Offering Circular as a whole. Where a claim relating to information contained in this Offering Circular is brought before a court, the plaintiff investor may be required to bear the costs of translating this Offering Circular before the legal proceedings are initiated. The individuals or legal entities that have prepared the summary or any translations thereof and requested approval thereof may be subject to civil liability, but only if this summary is misleading, incorrect or inconsistent when read together with the other parts of this Offering Circular. Where a claim regarding information in this Offering Circular is brought before a court, the plaintiff may, under the national legislation of the state where the claim is brought, be required to bear the costs of translating this Offering Circular before the legal proceedings are initiated.

This summary should be read in conjunction with other parts of this Offering Circular and is qualified in its entirety by the more detailed information appearing elsewhere in this Offering Circular, including the Company's audited consolidated financial statements for 2004, 2005 and 2006 and audited interim consolidated financial statements for the six months ended 30 June 2007 with comparative figures for the six months ended 30 June 2006.

For a discussion of certain special factors that any investor should consider before deciding whether to invest in the Shares, see "Risk factors". Any decision to invest in the Offered Shares should be based on a consideration of this Offering Circular as a whole. The following information should be read in conjunction with the full text of this Offering Circular. Certain terms used in this summary are defined elsewhere in this Offering Circular.

Overview

NeuroSearch is a biopharmaceutical group and has, since its inception, focused on developing new drugs to treat central nervous system (CNS) diseases and other diseases primarily through ion channel modulation. NeuroSearch has a broad research and development portfolio which includes compounds for the treatment of Huntington's disease, obesity, depression, Attention Deficit Hyperactivity Disorder (ADHD), pain, anxiety, epilepsy, Parkinson's disease, Chronic Obstructive Pulmonary Disease (COPD) and autoimmune diseases.

As of the Offering Circular Date, NeuroSearch's product pipeline comprises two drug candidates in preparation for Phase III, namely tesofensine for obesity and ACR16 for Huntington's disease, five drug programmes in Phase II, four drug programmes in Phase I and nine preclinical development programmes.

Table 1: NeuroSearch's current clinical and preclinical drug development programmes

Drug candidate	Indication	Status	Next development milestone	Marketing rights
ACR16	Huntington's disease	Phase III in preparation	Initiation of Phase III studies	NeuroSearch(1)
Tesofensine	Obesity	Phase III in preparation	Initiation of Phase III studies	NeuroSearch(2)
NS2359	Depression	Phase IIb	Completion of Phase IIb studies	GSK
ABT-894	ADHD	Phase II	Completion of Phase II studies	Abbott
ABT-894	Neuropathic pain	Phase II	Completion of Phase II studies	Abbott
NS2359	ADHD	Phase II	Initiation of Phase IIb studies	GSK
NS1209	Status epilepticus/ neuropathic pain	Phase II	Initiation of Phase IIb studies	NeuroSearch

Drug candidate	Indication	Status	Next development milestone	Marketing rights
ACR16	Schizophrenia	Phase I	Initiation of Phase II studies	Astellas
ACR325	Parkinson's disease and psychoses, incl. bipolar disorder	Phase I	Initiation of Phase II studies	NeuroSearch
ABT-107	Schizophrenia, cognitive dysfunctions	Phase I	Initiation of Phase II studies	Abbott
ABT-560	Cognitive dysfunctions	Phase I	Initiation of Phase II studies	Abbott
ACR343	Parkinson's disease	Preclinical development	Initiation of Phase I studies	NeuroSearch
NSD-644	Pain, psychiatric diseases	Preclinical development	Initiation of Phase I studies	NeuroSearch/GSK
NSD-708	Anxiety	Preclinical development	Initiation of Phase I studies	NeuroSearch/GSK Option (3)
NSD-788	Anxiety, among others	Preclinical development	Initiation of Phase I studies	NeuroSearch/GSK Option (3)
NSD-683	CNS diseases	Preclinical development	Completion of preclinical development for Phase I	Abbott
NSD-503	Chronic Obstructive Pulmonary disease	Preclinical development	Completion of preclinical development for Phase I	NeuroSearch
NSD-726	Autoimmune diseases	Preclinical development	Completion of preclinical development for Phase I	NeuroSearch/GSK Option(3)
NSD-721	Anxiety, among others	Preclinical development	Completion of preclinical development for Phase I	NeuroSearch/GSK Option(3)
NSD-761	Schizophrenia, cognitive dysfunctions	Preclinical development	Completion of preclinical development for Phase I	NeuroSearch/GSK Option(3)

(1) With marketing rights in the European Union, Norway, Switzerland, the United States and Canada.

(2) Under the termination agreement with Boehringer Ingelheim, NeuroSearch is under the obligation to make certain payments to Boehringer Ingelheim. See "I.19.b. Significant collaborative and license agreements".

(3) For these drug candidates, GSK holds an option under the GSK Agreement as described in "I.19.b. Significant collaborative and license agreements".

To date in 2007, NeuroSearch has completed Phase III preparations for ACR16 for the treatment of Huntington's disease. In April 2007, GSK initiated the second Phase II study with NS2359 for depression. In September 2007, NeuroSearch reported the results from a Phase IIb Proof-of-Concept obesity study with tesofensine in 203 patients ("TIPO-1"). Results showed that 24 weeks' treatment with tesofensine resulted in a significant and dose-dependent weight loss. All primary endpoints were met and secondary endpoints were also met. Further, data shows that tesofensine was well-tolerated with an acceptable safety profile.

NeuroSearch's most important current collaboration is a five-year strategic alliance with GSK, one of the world's largest pharmaceutical companies which holds a significant position within the CNS area. Under the GSK Agreement, as amended in late 2006, NeuroSearch may receive up to DKK 811.0 million (EUR 109 million) in total milestones per drug candidate accepted by GSK and low double digit royalties on net sales. The GSK Agreement expires at the end of 2008 but will continue to apply for drug candidates identified for further development.

NeuroSearch has a licence agreement with Abbott covering four drug candidates: ABT-894 in Phase II in two indications, ABT-107 and ABT-560 in Phase I, and NSD-683 in preclinical development.

In addition, NeuroSearch has an agreement with Astellas covering ACR16. Astellas is conducting a Phase Ib study in the United States with the aim of developing ACR16 for the treatment of schizophrenia. NeuroSearch is developing ACR16 for the treatment of Huntington's disease and holds the rights to market ACR16 for the treatment of Huntington's disease in the European Union, Norway, Switzerland, the United States and Canada.

On 23 August 2006, the Company signed a share purchase agreement (the "Carlsson Research Agreement") to acquire all of the shares of Carlsson Research (now NeuroSearch Sweden) from the then shareholders. The transfer of the shares took place on 23 October 2006. The consideration, if all milestones are achieved, will amount to a total of SEK 825 million (DKK 660.0 million) (EUR 88.7 million), plus half of any up-front payment should a collaborative agreement on ACR325 be signed. Out of the total consideration, SEK 250 million (DKK 200.0 million) (EUR 26.9 million) was paid to the selling shareholders on closing of the transaction. Following NeuroSearch's announcement on 8 November 2006 that it had dosed the first patient in a Phase I study using ACR325, a milestone payment to the selling shareholders in the amount of SEK 75 million (DKK 60.0 million) (EUR 8.1 million) was paid in cash.

NeuroSearch has decided upon the following overall strategic goals:

- Progress and mature its clinical pipeline – either alone or through licence partnering – with a view to bringing its first drugs to the market within four years;
- Maintain and support the drug discovery organisation with the objective of advancing at least two drug candidates into development each year;
- Maximise the return from alliances and retain significant and increasing product rights in existing and new collaborations with pharmaceutical and biotechnology companies, including engaging in late stage development activities (Phase II and Phase III) in partnered programmes; and
- Further expand and accelerate pipeline growth through in-licensing of drug candidates and acquisition of businesses with complementary drug programmes.

Reasons for the Offering and use of proceeds

The reason for the Offering is to provide NeuroSearch with funding for future clinical development of its pipeline, for research activities, general corporate purposes and to strengthen its negotiating position in relation to licence partners. The gross proceeds of the Offering are expected to amount to DKK 774 million (EUR 104 million) if fully subscribed.

NeuroSearch intends to use the proceeds of the Offering, together with guaranteed income under the GSK Agreement, future milestones and its existing cash balances to fund its ongoing activities. A significant part of the proceeds will be used to fund fully or partly the Phase III development programmes of tesofensine for obesity, and of ACR16 for Huntington's disease, where the expected costs for the Huntington programme amounts to DKK 100-130 million (EUR 13.4-17.5 million). In addition to funding its most mature programmes, the use of proceeds will include funding of NeuroSearch's preclinical pipeline and the future clinical development of drug candidates, which are currently not funded by collaborative partners.

Upon completion of the Offering, the Board of Directors intends to convene an extraordinary general meeting with the purpose of obtaining a new authorisation to increase the share capital of the Company.

Risk factors

Prospective investors contemplating whether to invest in Preemptive Rights and the Offered Shares should carefully consider the section "Risk factors". The risk factors regarding NeuroSearch are divided into the following categories:

- Risks related to NeuroSearch's financial results and financial resources
- Risks related to the development and regulatory approval of NeuroSearch's drug candidates
- Risks related to dependence on third parties
- Risks relating to intellectual property rights
- Risks related to commercialisation
- Risks related to employees
- Risks related to currency and other financial risks
- Risks relating to the Offering

Summary of the Offering

See "III. The Offering" for a detailed description of the Offering.

Issuer:	NeuroSearch A/S, CVR no. 12546106
Offering:	The Offering comprises up to a maximum of 2,765,593 Offered Shares with a nominal value of DKK 20 each, with Preemptive Rights to the Existing Shareholders at the ratio of 2:9.
Proceeds:	The gross proceeds of the Offering will total DKK 774 million (EUR 104 million) (estimated net proceeds of DKK 732 million (EUR 98 million)), if the maximum number of Offered Shares is subscribed.
Offer Price:	The Offered Shares are offered at DKK 280 per Offered Share with a nominal value of DKK 20 each, free of brokerage fees.
Subscription ratio and allocation of Preemptive Rights:	Existing Shareholders will be entitled to and will be allocated two (2) Preemptive Rights for each Existing Share with a nominal value of DKK 20 each held at the Allocation Time. The Offering is being made at the ratio of 2:9 which means that each Existing Share will be allocated two (2) Preemptive Rights. Nine (9) Preemptive Rights will entitle the holder to subscribe for one (1) Offered Share. Accordingly, the holder will have the right, upon payment of the Offer Price, to subscribe for one (1) Offered Share for every nine (9) Preemptive Rights. No fractional Shares will be issued. On Friday, 9 November 2007 at 12.30 p.m. CET, any person who is registered with VP Securities Services as a Shareholder of the Company will be allocated Preemptive Rights. Shares traded after Tuesday, 6 November 2007 will be traded ex Preemptive Rights.
Offered Shares:	The Offered Shares will be registered under the temporary securities code ISIN DK0060098325. The Offered Shares will not be listed on the OMX Nordic Exchange Copenhagen until registration of the capital increase has taken place with the Danish Commerce and Companies Agency. The listing of and the commencement of trading in the Offered Shares under the temporary securities code on the OMX Nordic Exchange Copenhagen is expected to take place on Wednesday, 28 November 2007. The temporary securities code is expected to be merged with the permanent securities code for the Existing Shares (ISIN code DK0010224666) as soon as possible following the registration of the capital increase with the Danish Commerce and Companies Agency. The merger of the securities codes is expected to take place on Thursday, 29 November 2007. See "Risk factors – Risks relating to the Offering". The Preemptive Rights and the Offered Shares are delivered by allocation to accounts through the book-entry facilities of VP Securities Services.

Upon listing of the Offered Shares, the Offered Shares have been accepted for clearance through Euroclear and Clearstream.

Subscription Period:

The Subscription Period for the Offered Shares commences on Monday, 12 November 2007 at 9.00 a.m. CET and closes on Friday, 23 November 2007 at 5.00 p.m. CET.

Subscription procedure:

The Preemptive Rights are traded on the OMX Nordic Exchange Copenhagen.

Holders of Preemptive Rights wishing to subscribe for Offered Shares must do so through their own custodian institution, in accordance with the rules of such institution. The time until which notification of exercise may be given will depend upon the holders' agreements with, and the rules and procedures of, the relevant custodian institution or other financial intermediary and may be earlier than the end of the Subscription Period. Once a holder has exercised his Preemptive Rights, the exercise may not be revoked or modified.

Upon payment of the Offer Price and exercise of Preemptive Rights during the Subscription Period, the Offered Shares will be allocated through VP Securities Services at the close of any Banking Day. The Offered Shares will be registered under the temporary securities code ISIN DK0060098325.

Method of payment:

Upon the exercise of the Preemptive Rights, the holder must pay DKK 280 per Offered Share for which he subscribes.

Payment for the Offered Shares shall be made in Danish kroner at the time of subscription, however, not later than Friday, 23 November 2007 at 5.00 p.m. CET against registration of the Offered Shares in the transferee's account with VP Securities Services. Holders of Preemptive Rights are required to adhere to the account agreement with their Danish custodian institution or other financial intermediaries through which they hold Shares. Financial intermediaries through whom a holder may hold Preemptive Rights may require payment by an earlier date.

Unexercised Preemptive Rights:

Preemptive Rights that are not exercised during the Subscription Period will lapse with no value, and the holder of such Preemptive Rights will not be entitled to compensation. The Subscription Period will end on Friday, 23 November 2007 at 5.00 p.m. CET.

Joint Global Coordinators:

Carnegie Bank A/S and Danske Markets (division of Danske Bank A/S).

Withdrawal of the Offering:

The completion of the Offering is subject to no events occurring before Tuesday, 6 November 2007, the last Banking Day before dealings in Preemptive Rights begin, which in the opinion of the Company or the Joint Global Coordinators would make it inadviseable to proceed with the Offering.

Furthermore, the Offering may be withdrawn in the event that certain exceptional and unpredictable circumstances occur in the period from commencement of trading in Preemptive Rights until registration of the capital increase relating to the Offered Shares has taken place with the Danish Commerce and Companies Agency.

If the Offering is not completed, the exercise of Preemptive Rights that has already taken place will automatically be cancelled, the subscription price will be refunded (less any brokerage fees), all Preemptive Rights will be null and void, and no Offered Shares will be issued. However, trades of Preemptive Rights executed during the trading period for the Preemptive Rights will not be affected. As a result, investors who acquired Preemptive Rights will incur a loss corresponding to the purchase price of the Preemptive Rights. If the Offering is not completed, the Offered Shares will not be issued and investors who have acquired Offered Shares in an off-market transaction risk losing their investment if they are not successful in reclaiming the purchase price from the seller of such Offered Shares.

Underwriting:

The Offering is not underwritten.

Securities codes:

Existing Shares	DK0010224666
Preemptive Rights	DK0060098408
Offered Shares (temporary securities code)	DK0060098325

Voting rights:

A Shareholder is entitled to one vote for each nominal share amount of DKK 1 at general meetings. As each Share has a nominal value of DKK 20, each Share confers 20 votes. Shareholders who have acquired Shares by transfer are not entitled to exercise voting rights for such Shares, unless the Shares have been entered in the Company's register of shareholders, or unless the Shareholder has applied for registration of and substantiated his acquisition prior to the notice convening the general meeting.

Dividends:

The Offered Shares are eligible for dividends paid by the Company after the issue of the Offered Shares and registration of the capital increase with the Danish Commerce and Companies Agency. Consequently, the Offered Shares are eligible for any dividends payable in respect of the 2007 financial year and all dividends declared and paid thereafter.

The Company has not paid dividends in the past and does not plan to do so within the foreseeable future.

Issuing agent:

Nordea Bank Danmark A/S.

Lock-up agreements in connection with the Offering:

The Company, the Board of Directors and the Executive Management have entered into lock-up agreements with the Joint Global Coordinators.

The lock-up period for the Company expires 360 days after the completion of the Offering, whereas the lock-up period for the Board of Directors and the Executive Management expires 90 days counted from the completion of the Offering.

Applicable law and jurisdiction:

The Offering is subject to Danish law. Any dispute which may arise as a result of the Offering shall be brought before the Danish courts of law.

Selling restrictions:

General restrictions
The Offering consists of a public offering in Denmark and the United Kingdom and a private placement in other jurisdictions.

The distribution of this Offering Circular and the Offering may, in certain jurisdictions, be restricted by law, and this Offering Circular may not be used for the purpose of, or in connection with, any offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. This Offering Circular does not constitute an offer of or an invitation to exercise or to purchase any Preemptive Rights or to subscribe for Offered Shares in any jurisdiction in which such offer or invitation would be unlawful. Persons into whose possession this Offering Circular comes shall inform themselves of and observe all such restrictions. Neither the Company nor the Joint Global Coordinators accept any legal responsibility for any violation by any person, whether or not a prospective purchaser of Preemptive Rights or Offered Shares, of any such restrictions. For a more detailed description of certain restrictions in connection with the Offering, see "III.5.m. Jurisdictions in which the Offering will be made and restrictions applicable to the Offering".

This Offering Circular may not be distributed to or otherwise be made available in the United States, Canada, Australia or Japan. Investors from the United States, Canada, Australia or Japan may not participate in the Offering, unless it is permitted under applicable laws of the relevant jurisdiction and the Company and the Joint Global Coordinators must receive satisfactory documentation to that effect. The Offered Shares may not be offered or sold and the Preemptive Rights may not be exercised, offered or sold in any other jurisdiction, unless such offering, sale or exercise is permitted under applicable laws of the relevant jurisdiction, and the Company and the Joint Global Coordinators may require receipt of satisfactory documentation to that effect.

Due to such restrictions under applicable laws, the Company expects that certain investors residing in the United States, Canada, Australia, Japan and other jurisdictions may not be able to exercise the Preemptive Rights and subscribe for the Offered Shares.

Restrictions on sales in the United States of America

The Preemptive Rights and the Offered Shares have not been approved by the US Securities and Exchange Commission, or with the securities or other regulatory authority of any state or other jurisdiction in the United States nor have any of such regulatory authorities passed upon or endorsed the merits of the Offering or the accuracy or adequacy of this Offering Circular. Any representation to the contrary is a criminal offence in the United States.

The Preemptive Rights and the Offered Shares have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction in the United States. Any person in the United States wishing to exercise Preemptive Rights and subscribe for Offered Shares must execute and deliver an investor letter satisfactory to the Company and the Joint Global Coordinators to the effect that such person is either (i) a "Qualified Institutional Buyer" ("QIB") within the meaning of Rule 144A under the Securities Act or (ii) subscribing for the Offered Shares in an offshore transaction as defined by Regulation S of the Securities Act.

Any person who wishes to exercise Preemptive Rights and subscribe for Offered Shares will be deemed to have declared, warranted and agreed, by accepting delivery of this Offering Circular and delivery of Preemptive Rights or Offered Shares, either that he is exercising the Preemptive Rights and subscribing the Offered Shares in an offshore transaction as defined by Regulation S of the Securities Act, or that he is exercising the Preemptive Rights and subscribing for the Offered Shares in his capacity as a QIB and that he will not re-sell, pledge or otherwise transfer the Preemptive Rights or the Offered Shares except in an offshore transaction meeting the requirements of Regulation S of the Securities Act, or pursuant to an effective registration statement or to an exemption from registration.

In addition, until the expiration of the 40-day period beginning on the Offering Circular Date, an offer to sell or a sale of the Preemptive Rights and the Offered Shares within the United States by a broker/dealer (whether or not it is participating in the Offering) may violate the registration requirements of the Securities Act if such offer to sell or sale is made otherwise than pursuant to the foregoing.

Restrictions on sales in the European Economic Area
In relation to each Member of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), no offer of Preemptive Rights and Offered Shares is being made to the public in any Relevant Member State prior to the publication of a prospectus in relation to the Preemptive Rights and the Offered Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, make an offer of Preemptive Rights and Offered Shares to the public in that Relevant Member State at any time:

(a) to legal entities which are authorised or regulated to operate in the financial markets and non-authorised or non-regulated entities, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which fulfils at least two of the following criteria (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than EUR 43,000,000 and (3) an annual net turnover of more than EUR 50,000,000, as shown in its last annual or consolidated accounts;

(c) to fewer than 100 natural or legal persons (other than "qualified investors" as defined in the Prospectus Directive), subject to the prior written consent of the Company and the Joint Global Coordinators; or

(d) in any other circumstances which do not require the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Preemptive Rights and Offered Shares to the public" in relation to any Preemptive Rights and Offered Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offering, the Preemptive Rights and the Offered Shares so as to enable an investor to decide whether to

subscribe for the Offered Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State. The expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State. The Company has chosen to passport the Offering Circular for use in the United Kingdom in accordance with the Prospectus Directive.

Intentions of major Shareholders or members of the Company's Executive Management or Board of Directors to participate in the Offering:

The Company has not received any indications from its major Shareholders, the members of the Executive Management or the members of the Board of Directors as to whether they expect to participate in the Offering or not.

Availability of the Offering Circular:

Carnegie Bank A/S
Ovengaden Neden Vandet 9B
DK-1414 Copenhagen K
Phone: +45 32 88 02 00

Danske Bank A/S
Corporate Actions
Holmens Kanal 2-12
DK-1092 Copenhagen K
Phone: +45 70 23 08 34
Email: prospekter@danskebank.dk

The Offering Circular can also with certain exceptions be downloaded from the Company's website: www.neurosearch.dk.

Expected timetable of principal events

Last day of trading of Existing Shares cum Preemptive Rights:	Tuesday, 6 November 2007
First day of trading of Existing Shares ex Preemptive Rights:	Wednesday, 7 November 2007
Trading of Preemptive Rights commences on the OMX Nordic Exchange Copenhagen:	Wednesday, 7 November 2007
Allocation Time:	Friday, 9 November 2007 at 12.30 p.m. CET through the computer system of VP Securities Services
Subscription Period begins:	Monday, 12 November 2007 (the day after the Allocation Time)
Trading in Preemptive Rights ends:	Tuesday, 20 November 2007 at 5.00 p.m. CET
Subscription Period ends:	Friday, 23 November 2007 at 5.00 p.m. CET
Publication of the results of the Offering	Not later than two Banking Days after the end of the Subscription Period (expected to be on Tuesday, 27 November 2007)
Completion of the Offering:	The Offering will only be completed if and when the Offered Shares subscribed are issued, and the capital increase is registered with the Danish Commerce and Companies Agency, which is expected to take place on Tuesday, 27 November 2007.
Listing of and trading in Offered Shares under temporary securities code expected to commence:	Wednesday, 28 November 2007
Third quarter 2007 report:	Wednesday, 28 November 2007
Merger of temporary securities code with permanent securities code:	Thursday, 29 November 2007

Risk factors

An investment in the Company's Shares involves risks. You should consider carefully the following risk factors, which Management considers material, and other information contained in this Offering Circular prior to making any investment decision with respect to the Preemptive Rights or the Offered Shares. These risks are not the only ones NeuroSearch faces. If any of the following risks occurs, NeuroSearch's business, financial position, results of operations or future growth prospects could suffer materially. In such an event, the trading price of the Company's Shares, including the Preemptive Rights or the Offered Shares, could decline, and you could lose all or part of the money you invested in NeuroSearch. However, additional risks and uncertainties not presently known or that NeuroSearch currently deems immaterial may also impair NeuroSearch's business operations and development.

This Offering Circular also contains forward-looking statements that involve risks and uncertainties. NeuroSearch's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including but not limited to the risks NeuroSearch faces as described below and elsewhere in this Offering Circular. The risk factors below are not listed in any order of priority with regard to significance or probability. It is not possible to quantify the significance to NeuroSearch of each individual risk factor as each risk described below may materialise to a greater or lesser degree and have unforeseen consequences.

Risks related to NeuroSearch's financial results and financial resources

NeuroSearch has incurred losses, expects to incur future losses and may never achieve sustained profitability.
NeuroSearch has incurred operating and net losses in the past. In the first half year of 2007 NeuroSearch incurred operating losses of DKK 125.3 million (EUR 16.8 million) and net losses of DKK 149.1 million (EUR 20.0 million). Such losses have resulted principally from the costs incurred in research and development and administration costs. The Company has also previously announced that it expects for 2007 a net loss in the range of DKK 230-250 million (EUR 30.9-33.6 million) excluding recognition of associated companies and other equity interests. The Company maintains, as of the Offering Circular Date, its outlook for 2007.

NeuroSearch has not yet completed the clinical development of any drug candidate. Thus, NeuroSearch has not yet begun to market any product or generate revenues from the commercialisation of any drug. NeuroSearch expects to incur significant further losses for the foreseeable future as its research and development efforts continue to expand. NeuroSearch's ability to achieve profitability is dependent on its ability, alone or with others, to complete the development of its drug candidates successfully, to obtain the required regulatory clearances and to manufacture and market its potential products. There can be no assurance as to when, if ever, NeuroSearch will reach sustained profitability.

NeuroSearch may need additional financing, which may be difficult to obtain.
The amounts and timing of NeuroSearch's expenditures will depend upon the progress of continuing research and development activities, the rate at which operating losses are incurred, the execution of development, licensing and collaboration agreements with potential collaborative partners, the timing of required regulatory approvals, the opportunity to in-licence products or make acquisitions, and other factors, many of which are beyond NeuroSearch's control. Management considers that NeuroSearch's working capital, prior to the Offering, is sufficient to cover its current requirements, at least until the beginning of the second half of 2008. However, to the extent NeuroSearch elects to fund the full development of a drug candidate and the commercialisation of a drug, or if NeuroSearch decides to initiate new drug development programmes, it may need substantial additional funding. The same applies if NeuroSearch decides to in-license third party products or make corporate acquisitions. There can be no assurance that additional funds will be available on acceptable terms, if at all, or that such funds, if raised, will be sufficient to permit NeuroSearch to conduct its operations as contemplated. If sufficient additional funds are not available, NeuroSearch will seek to enter into additional collaborative agreements which may require it to grant collaborative partners rights to its intellectual property rights at a time or on conditions that are not optimal. If additional funds were to be raised by issuing equity securities in addition to the Offering, dilution to the Company's Shareholders may occur.

The Company has a contingent payment obligation to the selling shareholders of Carlsson Research (now NeuroSearch Sweden) regarding possible future milestone payments on the drug programmes acquired by the Company in October 2006, which contingent payment obligation may amount to a total of up to SEK 500 million (DKK 400 million) plus half of the up-front payment should a collaborative agreement on ACR325 be signed. See "I.19.a. Agreement to acquire the share capital of Carlsson Research (now NeuroSearch Sweden)". The Company may in its sole discretion decide whether to make such a milestone payment(s) in cash or in Shares. However, there can be no assurance that the Board of Directors will have sufficient authorisation to issue Shares as payment or that the Company's general meeting will grant such authorisation to the Board of Directors. Also, any issuance of new Shares may require NeuroSearch to prepare a prospectus, which may require additional time and cause the Company to incur additional costs. If the Company cannot, or decides that it is not in its best interest, to settle the milestone payments by issuance of Shares, NeuroSearch will be obliged to effect payment in cash from its capital resources, which may require the Company to obtain further financing.

There can be no assurance that NeuroSearch will receive further financial contributions from its collaborative agreements at current or historic levels, that any new collaborative agreements can be entered into on terms acceptable to NeuroSearch or at all, that any or all of NeuroSearch's collaborative agreements will not be terminated or that changes will not occur that will cause available capital resources to be used more quickly than expected.

Risks related to the development and regulatory approval of NeuroSearch's drug candidates

NeuroSearch may not successfully develop its pipeline of drug candidates. Clinical studies are expensive, time consuming and their outcome is uncertain. Early development success may not mean later success.

All of the drug candidates that NeuroSearch is pursuing will require extensive additional development, testing and investment, as well as regulatory approvals, prior to marketing. NeuroSearch has two drug candidates in preparation for Phase III, namely tesofensine for obesity and ACR16 for Huntington's disease, five drug programmes (NS2359 (depression), NS2359 (ADHD), NS1209 (epilepsy, pain), ABT-894 (ADHD) and ABT-894 (neuropathic pain)) are in Phase II studies, four (ACR16 (schizophrenia), ACR325 (Parkinson's disease, bipolar disorder), ABT-107 (schizophrenia), and ABT-560 (dementia)) are in Phase I studies. Furthermore, NeuroSearch has nine compounds in preclinical development (ACR343 (Parkinson's disease), NSD-644 (pain, psychiatric diseases), NSD-503 (COPD or smoker's lungs), NSD-708 (anxiety, psychiatric diseases), NSD-788 (anxiety), NSD-683 (CNS disorders), NSD-726 (autoimmune diseases), NSD-761 (schizophrenia, psychiatric diseases) and NSD-721 (anxiety, epilepsy and pain)).

NeuroSearch's product research and development efforts may not be successful. The safety and efficacy of a therapeutic product under development must be supported by extensive data from preclinical studies and clinical studies. NeuroSearch's drug candidates may not enter preclinical or clinical studies as or when anticipated and may not receive required regulatory approvals. Results from preclinical studies, including animal studies, are not necessarily indicative of results obtained in subsequent clinical studies (in healthy individuals and patients), and results in early clinical studies may not accurately predict the results of large-scale controlled multi-centre studies. A number of companies in the pharmaceutical industry have experienced negative results in advanced clinical studies, even after promising results in earlier human studies. Accordingly, there can be no assurance that NeuroSearch's clinical studies can demonstrate the safety and efficacy necessary for regulatory approvals, or that they will result in marketable products. Moreover, any setbacks in advanced clinical studies may have an adverse impact on the price of the Shares and the Preemptive Rights and may have a materially adverse effect on NeuroSearch's business and results of operations.

The failure to demonstrate adequately the safety and efficacy of a drug under development could delay or prevent regulatory clearance of the potential drug and have a materially adverse effect on NeuroSearch. In addition, the United States Food and Drug Administration (FDA), the European Agency for the Evaluation of Medicinal Products (EMEA) and equivalent regulatory bodies in other jurisdictions may require additional clinical or preclinical studies, which could result in increased costs and significant delays in obtaining required marketing approvals and, by extension, commercialisation of a drug. While all or a portion of these additional costs may be covered by payments under NeuroSearch's collaborative agreements, NeuroSearch bears all of the costs for its drug candidates for which it has no financial support from a collaborative partner.

Even if NeuroSearch is able to obtain regulatory approval for its products, it may not succeed in commercialising them, which would materially harm NeuroSearch's business.
The production and marketing of NeuroSearch's products and NeuroSearch's ongoing research and development activities are subject to regulation by numerous governmental authorities in Denmark and worldwide, including the European Union, the United States and Japan, and by regulatory authorities in other countries where NeuroSearch or its collaborative partners may test or market any products that NeuroSearch may develop. The regulatory authority in each country may impose its own requirements and may refuse to grant, or may require additional data before granting, an approval even though the relevant product has been approved by another authority.

Prior to marketing, any drug developed or marketed by or under licence from NeuroSearch must undergo an extensive regulatory approval process. This process, which includes preclinical testing and clinical studies of each drug to establish its quality, safety and efficacy, can take many years and require significant expenditure and the commitment of substantial resources. Data obtained from preclinical and clinical activities are susceptible to varying interpretations, which could delay, limit or prevent regulatory approval. In addition, delays or rejections may be encountered based upon changes in regulatory policy for drug approval during the period of product development and regulatory review of each submitted new drug application or product licence application.

There can be no assurance that regulatory approvals will be obtained for any drug developed by or marketed under licence from NeuroSearch. Moreover, if regulatory approval of a drug is granted, such approval may include limitations in the form of requirements for supplementary patient information and/or usage restrictions for sub-groups of patients. If regulatory approval is obtained, a marketed drug and its manufacturer are subject to continuing review, and discovery of previously unknown problems with a product or manufacturer may result in restrictions on such product or manufacturer, including the withdrawal of the product from the market or product liabilities.

The time required to complete clinical studies and for the review processes by the FDA, the EMEA and equivalent regulatory bodies in other jurisdictions is often uncertain.

NeuroSearch may not be able to conduct, or contract with others to conduct, animal testing in the future, which could materially harm NeuroSearch's research and development activities.
Certain laws and regulations relating to drug development require NeuroSearch to test its drug candidates on animals before initiating clinical studies involving humans. Animal testing activities have been the subject of controversy and adverse publicity. Animal rights groups and other organisations and individuals have attempted to stop animal testing activities by pressing for legislation and regulation in these areas and by disrupting these activities through protests and other means. To the extent that the activities of these groups are successful and NeuroSearch or its contract research organisations are unable to conduct animal testing, NeuroSearch's research and development activities may be interrupted or delayed.

Risks related to dependence on third parties

NeuroSearch is dependent on third parties.
As most of NeuroSearch's drug candidates are under development, NeuroSearch is, and is likely to continue to be for a number of years, dependent on arrangements with other companies in respect of clinical studies, regulatory affairs, manufacturing, intellectual property rights and commercialisation. There can be no assurance that NeuroSearch will be able to enter into any such additional agreements on acceptable terms, if at all, or that current agreements entered into will not be terminated or breached by third parties. If NeuroSearch is not able to enter into additional agreements or if current agreements are terminated or breached, NeuroSearch could encounter delays in the introduction of its products into certain markets or find that the development, manufacture or sale of its products in those markets is adversely affected. NeuroSearch may be forced to surrender rights or accept less favourable conditions than expected.

While NeuroSearch believes that parties to any collaborative agreements with NeuroSearch will have an economic incentive to fulfil their contractual responsibilities, there can be no assurance that they will. Nor can NeuroSearch control the scope and

timing of the resources devoted by the collaborative partners to such activities. There can be no assurance that all the parties to NeuroSearch's present or future collaborative agreements will comply with their obligations or that any revenue over and above obligatory payments will be derived from these agreements. NeuroSearch's collaborative partners may compete with NeuroSearch or collaborate with NeuroSearch's competitors in related areas, which may adversely affect the benefits NeuroSearch enjoys from the collaborative agreement. The incentive of NeuroSearch's collaborative partners to commercialise products may also be affected by matters beyond NeuroSearch's control, including business combinations.

Collaborative and licensing agreements are long term and complex agreements and legal or commercial disagreements or disputes may arise over time. The parties may interpret the scope of the agreement and each parties' rights and obligations thereunder differently. For example in a situation similar to the agreement between NeuroSearch and Astellas concerning the ACR16 compound, where Astellas is developing the same drug candidate for one indication (ACR16 for schizophrenia), and NeuroSearch is developing a drug candidate for a different indication (ACR16 for Huntington's disease), the interests of the two companies in the design and implementation of the protocols may differ. Similarly, the parties may have different views on the optimal commercialisation of a drug, including marketing and pricing. Commercial disagreements may develop into legal proceeding, lead to termination of the agreement or in other ways have an adverse effect on the otherwise expected outcome of the agreement. For a company like NeuroSearch, which is and will likely continue to be dependant on a relatively small number of collaborative agreements, such disputes may have a material adverse effect both on a short- and long term basis and NeuroSearch may for financial or commercial reasons not be able or willing to enforce its rights according to the agreement.

NeuroSearch's revenues currently depend on license agreements with partners, in particular GlaxoSmithKline ("GSK"). Any decision by GSK or other partners to discontinue its agreement with NeuroSearch will have an adverse effect, which may be material, on the market price of the Preemptive Rights and the Shares, including the Offered Shares.
NeuroSearch has derived a significant portion of its revenues in recent years, including virtually all of its revenues in 2006 and approximately 70 per cent of its revenues in the first six months of 2007, from payments made to the Company by GSK under the agreement between the Company and GSK dated 19 December 2003, as amended and supplemented from time to time (the "GSK Agreement"). See "I.19.b.Significant collaborative and license agreements". While the Company is entitled to continue to receive certain guaranteed future payments under the terms of the GSK Agreement until its expiry on 31 December 2008, the payment of milestones is dependent on the successful development of drug candidates covered by the GSK Agreement. As a result, NeuroSearch's future prospects will be materially impacted if GSK does not devote its time and financial resources to develop products included in the collaboration, if any disputes arise as to whether the Company has achieved a milestone, or regarding other terms of the GSK Agreement or if GSK decides to use alternative technologies to NeuroSearch's technologies and thereby compete with NeuroSearch's drug candidates. The GSK Agreement does not prevent GSK from doing so.

The GSK Agreement expires on 31 December 2008, unless otherwise extended. There can be no assurance that the GSK Agreement will be extended or renewed or that it will be extended or renewed on terms which are as favourable to NeuroSearch as the current GSK Agreement. If the GSK Agreement is not extended or renewed NeuroSearch's revenues could be materially and adversely affected.

To a lesser extent, NeuroSearch is and will continue to be dependant on income deriving from its collaborative agreements with other partners, including in particular Abbott and Astellas.

NeuroSearch relies on third parties to conduct clinical studies.
NeuroSearch relies on its commercial partners, such as GSK, Abbott and Astellas, as well as independent clinical investigators, contract research organisations and other third party service providers to conduct a portion of NeuroSearch's research and development. For example, NeuroSearch has engaged a contract research organisation to perform the Phase III studies on ACR16 for Huntington's disease. Although NeuroSearch relies on these parties for high quality execution of NeuroSearch's clinical studies, it is unable to control all aspects of their activities. Although NeuroSearch is responsible for ensuring that each of the clinical studies performed by contract research organisations on its behalf is conducted in accordance with regulatory requirements as well as the general protocol for the trial, NeuroSearch does not have complete access to information

about the results and status of their clinical studies and regulatory programmes and strategies. Third parties may not complete their activities on schedule, or may not conduct NeuroSearch's clinical studies in accordance with regulatory requirements or NeuroSearch's stated protocols. The failure of these third parties to carry out their obligations could result in liability for NeuroSearch and delay or prevent the development, approval and commercialisation of drug programmes.

As NeuroSearch's collaborative partners have full control over the drug candidates out-licensed to them, NeuroSearch does not necessarily have full access to all information regarding the development, intellectual property situation and the general status of the programmes.

In situations in which a collaborative partner is developing a drug candidate for one application, and NeuroSearch is developing the same drug candidate for a different application, the interests of the two companies in the design and implementation of the protocols may differ, and unfavourable results in one trial could reflect negatively on the other, and on other potential applications of the drug candidate.

NeuroSearch will depend on third parties to manufacture future products for commercial sale.
NeuroSearch does not have experience in, and does not own facilities for, manufacturing any products for commercial sale. NeuroSearch expects to depend on third parties to manufacture any future products that NeuroSearch may develop. As a result, NeuroSearch may incur substantial expenses to contract with others to manufacture its products for it or may experience delays in the manufacture of its products and NeuroSearch may be unable to obtain acceptable profit margins on its products.

Reliance on third party manufacturers entails risks to which NeuroSearch would not be subject if NeuroSearch had in-house manufacturing capabilities, including but not limited to:

- reliance on the third party for regulatory compliance and quality assurance;
- the possible breach of the manufacturing agreement by the third party because of factors beyond NeuroSearch's control; and
- the possibility of termination or non-renewal of the agreement by the third party, at a time that is costly or inconvenient for NeuroSearch.

Any decision to establish NeuroSearch's own manufacturing facilities would require substantial additional resources and recruitment of qualified personnel.

The manufacturing, packaging and labelling of drugs, including any future drugs of NeuroSearch, are regulated by the FDA, the EMEA and equivalent regulatory bodies in other jurisdictions and must be conducted in accordance with the Good Manufacturing Practice (GMP) guidelines established by the European Commission and comparable requirements of foreign regulatory bodies. Failure by NeuroSearch or its third party manufacturers to comply with applicable regulations, requirements, or guidelines could result in sanctions being imposed on NeuroSearch, which could significantly and adversely affect NeuroSearch's business.

The FDA, the EMEA and equivalent regulatory bodies in other jurisdictions may also implement new standards, or change their interpretation and enforcement of existing standards and requirements for the manufacture, packaging, or testing of products at any time. If NeuroSearch is unable to comply with such new or modified standards, NeuroSearch may be subject to regulatory or civil actions or to penalties that could significantly and adversely affect its business.

Risks relating to intellectual property rights

If NeuroSearch or NeuroSearch's collaborative partners are unable to obtain and maintain protection for NeuroSearch's intellectual property, the value of its technology and products will be significantly and adversely affected.
NeuroSearch's success will depend on its ability to obtain, maintain and enforce its patent and other proprietary rights in Europe, the United States and elsewhere. There is a risk that:

- future inventions and drug candidates will not be patentable;
- patents issued or licensed to NeuroSearch or its collaborative partners will be challenged, discovered to have been issued on the basis of insufficient or incorrect documentation/disclosure and/or held to be invalid or unenforceable;
- patents for which applications are now pending will not be issued to NeuroSearch;
- the scope of any patent protection will not be sufficiently broad to exclude other manufacturers; or
- others will claim rights or ownership with regard to patents and other proprietary rights which NeuroSearch holds or licenses.

The issuance of a patent does not guarantee its validity or enforceability, and third parties may challenge either or both. The issuance and enforceability of a patent within the pharmaceutical industry is generally highly uncertain and involves complex legal and scientific questions. So far, no uniform worldwide policy has emerged regarding the subject matter that may be covered by patents and the scope of claims allowable. NeuroSearch has an extensive portfolio of patents and patent applications. NeuroSearch cannot predict the breadth of claims that will ultimately be allowed in its patent applications. The claims of NeuroSearch's pending patent applications may have to be significantly narrowed in order to secure the issuance of patents, thereby reducing the scope of protection available from such patents and, by extension, its commercial sphere of activity. See "I.10.b. Patents and other intellectual property rights" for a description of the patent issues and risks surrounding a request by NeuroSearch to reissue patents in the United States covering ACR325 and ACR343.

Litigation or other proceedings may be necessary to enforce NeuroSearch's intellectual property rights, to protect its trade secrets and to determine the validity and scope of its proprietary rights. Any litigation could result in substantial expense and may fail to adequately protect NeuroSearch's intellectual property rights. Competitors may successfully challenge patents issued or licensed to NeuroSearch in court or in other proceedings, resulting in limitations of the coverage of such patents. Moreover, patents issued or licensed to NeuroSearch may be infringed or successfully circumvented, or NeuroSearch may for legal, economic or other reasons choose not to pursue infringements of any rights it may have. Rights under any issued patents may not provide NeuroSearch with sufficient protection against competitive products or processes.

In addition, changes in or different interpretations of patent laws in Europe, the United States and other countries may permit others to use NeuroSearch's discoveries and to develop and commercialise its technology and products without providing any compensation to NeuroSearch. The laws of some countries do not protect intellectual property rights to the same extent as European or US laws, and those countries may lack adequate rules and procedures for defending NeuroSearch's intellectual property rights. Additionally, US patent law has been undergoing significant shifts, which has lead to uncertainty in the US patent process, which could make obtaining and maintaining patents in the United States more difficult. If NeuroSearch fails to obtain and maintain patent protection and trade secret protection of its drug candidates, proprietary technologies and their uses, NeuroSearch could lose its competitive advantage, and the competition NeuroSearch faces would increase, adversely affecting NeuroSearch's ability to attain or maintain profitability.

If NeuroSearch is unable to protect the confidentiality of certain information, the value of its technology and products could be significantly and adversely affected.
NeuroSearch's commercial success depends on obtaining protection of its know-how, trade secrets and other intellectual property.

In addition to patented products, NeuroSearch relies upon unpatented proprietary technology, processes, know-how and data that NeuroSearch regards as trade secrets. NeuroSearch seeks to protect its proprietary information in part by confidentiality agreements with employees, consultants and third parties. These agreements may be breached, and NeuroSearch may

not have adequate remedies for any such breach. In addition, NeuroSearch's trade secrets may otherwise become known or be independently developed by competitors in a manner providing NeuroSearch with no practical recourse against the other parties involved.

Third parties may own or control patents or patent applications and other intellectual property rights that could be infringed by NeuroSearch's technologies, molecular targets or potential products.
NeuroSearch may infringe or violate the intellectual property rights of others by technologies that NeuroSearch uses in its research, molecular targets that NeuroSearch selects, or drug programmes that NeuroSearch seeks to develop and commercialise. These third parties could bring claims against NeuroSearch or NeuroSearch's collaborative partners, which could cause NeuroSearch to incur substantial expenses and could cause NeuroSearch to pay substantial damages. Further, if a patent infringement suit were brought against NeuroSearch's collaborative partners or NeuroSearch, the collaborative partners or NeuroSearch could be forced to stop or delay research, development, manufacturing or sales of the drug or drug candidate or technology that is the subject of the suit.

As a result of intellectual property infringement claims, or in order to avoid potential claims, NeuroSearch or its collaborative partners may choose to seek, or be required to seek, a licence from third parties and would most likely be required to pay licence fees or royalties. These licences may not be available on acceptable terms, or at all. Even if NeuroSearch's collaborative partners or NeuroSearch were able to obtain a licence, the rights may be non-exclusive, which would give competitors access to the same intellectual property. Ultimately, NeuroSearch could be prevented from commercialising a product, or be forced to cease some aspect of its business operations if, as a result of actual or threatened patent infringement claims, NeuroSearch or its collaborative partners are unable to enter into licences on acceptable terms. This could harm NeuroSearch's business significantly.

In addition to infringement claims against NeuroSearch, NeuroSearch may become a party to other patent litigation and other proceedings, including interference proceedings declared by the US Patent Office and opposition proceedings in the European Patent Office, regarding intellectual property rights with respect to NeuroSearch's products and technology.

The cost to NeuroSearch of any patent litigation or other proceeding, even if resolved in NeuroSearch's favour, could be substantial. Some of NeuroSearch's competitors may be able to sustain the costs of such litigation or proceedings more effectively than NeuroSearch because of their substantially greater financial resources. Patent litigation and other proceedings may also absorb significant management time. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could have a material adverse effect on NeuroSearch's ability to compete in the marketplace.

Risks related to commercialisation

NeuroSearch's efforts and those of NeuroSearch's collaborative partners to market NeuroSearch's products may be unsuccessful.
If NeuroSearch and NeuroSearch's collaborative partners succeed in developing a product and obtaining regulatory approvals, their respective ability to generate revenues will depend on the acceptance of their products by physicians, patients and the medical community.

The degree of market acceptance of any drug candidate depends on a number of factors, including demonstration of clinical efficacy and safety, cost-effectiveness, convenience and ease of administration, potential advantage over alternative treatment methods, competition and marketing and distribution support. If NeuroSearch's products fail to achieve market acceptance, NeuroSearch may be unable to successfully market and sell its products directly or through collaborative partners, which would limit NeuroSearch's ability to generate income.

NeuroSearch faces substantial competition, which may result in others discovering, developing or commercialising products or therapies before or more successfully than it does.

The pharmaceutical and biotechnology industries are subject to rapid change, making it difficult to predict the future competitive environment for NeuroSearch's potential products. Technological competition from existing pharmaceutical and biotechnology companies and others diversifying into the pharmaceutical field is intense and expected to increase. Many companies are engaged in the research and development of therapeutic products that may compete with NeuroSearch's drug candidates, although very little information is made public regarding these activities. A number of other companies operating in the same field as NeuroSearch have significantly greater resources than NeuroSearch, for example in the areas of research and development, manufacturing, marketing, finance and management, and these companies may therefore represent significant competition.

Business combinations or arrangements in or between competing biotechnology companies, large pharmaceutical companies or health care companies could enhance such competitors' financial, marketing and other resources. Competitors who are able to complete clinical studies and obtain required approvals and commence commercial sales of their products before NeuroSearch does may enjoy a significant competitive advantage.

Pricing regulations, third-party reimbursement practices or healthcare reform initiatives applicable to NeuroSearch's drug candidates could limit potential product revenue.

The regulations governing drug pricing and reimbursement vary widely from country to country. Some countries require approval of the selling price of a drug before it can be marketed and, in many of these countries, the pricing review period begins only after marketing approval is granted. In some countries, prescription pharmaceutical pricing remains subject to continuing governmental control even after initial approval is granted. In addition, changes to the rules and regulations regarding reimbursement or changes to existing regimes of reimbursement or the introduction of a new regime in any country could impact on whether reimbursement is available at adequate levels or at all. Rules and regulations regarding reimbursement may change frequently, in some cases on short notice. NeuroSearch's drug candidates are currently at the development stage and NeuroSearch will not be able to assess the impact of pricing regulations for a number of years. If NeuroSearch obtains regulatory approval for a product in a particular country, NeuroSearch may be subject to pricing regulations that delay the commercial launch of the product and this may adversely affect the revenues that it is able to derive from sales of that product in that country.

Successful commercialisation of NeuroSearch's products will also depend in part on the extent to which coverage and adequate payment for its products will be available from government health administration authorities, private health insurers and other third-party payers. Moreover, third-party payers frequently require that drug companies provide them with predetermined discounts from list prices and will often challenge the prices charged for medical products. If NeuroSearch or NeuroSearch's collaborative partners succeed in bringing a drug candidate to the market, reimbursement to the patient may not be available or sufficient to allow that product to be sold at a satisfactory price. NeuroSearch may need to conduct costly studies in order to demonstrate cost-effectiveness.

If the reimbursement for some of NeuroSearch's drug candidates is inadequate in comparison to NeuroSearch's development and other costs, NeuroSearch's ability to achieve profitability may be adversely affected. There can be no assurance that adequate coverage from government health administration authorities, private health insurers and other third-party payers will be available to enable NeuroSearch to obtain or maintain prices for its products sufficient to realise an appropriate return on investment.

NeuroSearch faces the risk of product liability claims and may not be able to obtain adequate insurance.

NeuroSearch's business exposes it to potential product liability risks which are inherent in clinical development, manufacturing, marketing and use of human therapeutic products. Even in cases where NeuroSearch may licence others to manufacture and sell its products, there can be no assurance that product liability claims would not be filed against NeuroSearch for such products or that indemnification or other relief would not be sought from NeuroSearch for any such claims. It is generally necessary for NeuroSearch to secure certain levels of insurance as a condition for the conduct of clinical studies. NeuroSearch has taken out product liability insurance in respect of all clinical studies performed to date for which NeuroSearch was

responsible. NeuroSearch intends to expand its insurance coverage to include the sale of commercial products if NeuroSearch obtains marketing approval for any of the products that NeuroSearch may develop and commercialise itself. NeuroSearch may not be able to obtain or maintain adequate protection against potential liabilities at acceptable cost. If NeuroSearch is unable to obtain insurance or other protection against potential product liability claims, NeuroSearch could be exposed to significant liabilities, which may materially and adversely affect its business and financial position. These liabilities could prevent or interfere with NeuroSearch's product development and commercialisation efforts. If NeuroSearch is sued for any injury caused by its products or processes, NeuroSearch's liability could exceed its product liability insurance coverage and NeuroSearch's own financial resources.

If NeuroSearch uses biological and hazardous materials in a manner that causes injury or violates laws, NeuroSearch may be liable for damages and/or subject to other sanctions.
NeuroSearch's research and development activities involve the controlled use of potentially harmful biological materials as well as hazardous materials, chemicals and various radioactive compounds. NeuroSearch uses small quantities of radioactive trace elements in certain laboratory experiments, and NeuroSearch uses solvents that could be flammable in conducting its research and development activities. NeuroSearch cannot completely eliminate the risk of accidental contamination or injury from the use, storage, handling or disposal of these materials. NeuroSearch does not maintain a separate insurance policy for these types of risks. In the event of contamination or injury, NeuroSearch could be held liable for damages, and any liability could exceed its financial resources.

Risks related to employees

If NeuroSearch is not able to recruit and retain qualified scientific and management personnel, its business may suffer.
Recruiting and retaining qualified scientific personnel to perform future research and development work is critical to the success of NeuroSearch. There can be no assurance that NeuroSearch will be able to attract and retain such employees given the demand for experienced scientists from numerous pharmaceutical and chemical companies, specialised biotechnology firms, universities and other research institutions. Furthermore, there are no restrictive covenants in its employees' contracts of employment which would prevent them from joining a competitor or collaborative partner of NeuroSearch after leaving NeuroSearch, with the limited exception of certain employees of NeuroSearch Sweden. See "I.19 Material Contracts". Management and key personnel are described in "I.12. Board of Directors, Executive Management and key personnel".

Strategic initiatives may require additional expertise and manpower in areas such as preclinical testing, clinical trial management, regulatory affairs, manufacturing and marketing. Such activities will require the recruitment of new personnel, including management, and the development of additional expertise by the existing management team. The inability to acquire such services or to develop such expertise could have a material and adverse impact on NeuroSearch's operations.

Risks related to currency and other financial risks

NeuroSearch is subject to exchange rate risks because its operating costs are mainly denominated in DKK, while its income is denominated in other currencies.
As the major part of NeuroSearch's income has been in the past and will be in the future in currencies other than DKK, while NeuroSearch's operating costs are mainly denominated in DKK, NeuroSearch is exposed to risk in relation to fluctuations in the exchange rates. For example, NeuroSearch's income from collaborations with GSK and Astellas is settled in EUR, while income from Abbott is settled in USD. A strengthening of DKK vis-à-vis other currencies would have an adverse impact on NeuroSearch's earnings and financial performance. NeuroSearch's consolidated financial statements are presented in DKK.

In connection with the Company's acquisition of Carlsson Research, the Company may be required to make significant future payments based on SEK to the selling shareholders of Carlsson Research.
In October 2006 the Company acquired Carlsson Research (now NeuroSearch Sweden). The selling shareholders of Carlsson Research are entitled to certain payments in SEK, should NeuroSearch reach certain milestones with regard to the drug pro-

grammes acquired. See "I.19.a. Agreement to acquire the share capital of Carlsson Research (now NeuroSearch Sweden)". Because the amount of any milestone payments that may be made to the selling shareholders of Carlsson Research have been agreed upon in SEK, NeuroSearch has additional exchange rate risk with respect to SEK.

NeuroSearch has invested and will continue to invest its free cash (including proceeds of the Offering) in financial instruments that carry risk.

NeuroSearch invests its free cash in cash equivalents and other financial instruments, in accordance with the investment policy adopted by the Board of Directors on 5 March 2007, and, pending use of the proceeds of the Offering, it will invest the proceeds in accordance with the same policy. In particular NeuroSearch's invests a significant portion of its cash in fixed-rate securities that Management believes carry minimal risk, but that are nevertheless subject to market risk because they are publicly traded and their price may vary, and to interest rate risk because they may be repurchased by the issuer at regular intervals including based on prevailing interest rates. In addition, NeuroSearch invests a portion of its free cash in variable rate and high-yield instruments, which may include sub-investment grade or unrated bonds. These securities carry a greater level of risk in exchange for a greater potential for return, which may not materialise. The current volatility of the financial markets has resulted in increased risk with respect to these investments, and NeuroSearch could experience low returns or losses on one or more of them.

Risks relating to the Offering

The market price of the Shares as well as of the Preemptive Rights and the Offered Shares may be highly volatile and purchasers of the Preemptive Rights or the Offered Shares could incur substantial losses.

The market price of the Shares as well as of the Preemptive Rights and the Offered Shares may be highly volatile. The stock market in general and the market for biotechnology companies in particular have experienced high volatility that has often been unrelated to the operating performance of particular companies. No assurance can be given that such fluctuations, even if otherwise unrelated to NeuroSearch's business, will not have a material adverse effect on the price of the Shares as well as the Preemptive Rights and the Offered Shares.

The Offered Shares are issued to the Shareholders or investors by execution of the Preemptive Rights, whereas the Offered Shares will only be listed on OMX Nordic Exchange Copenhagen after registration of the capital increase with the Danish Commerce and Companies Agency. The day on which the Offered Shares will be listed, and trading in them will commence, is expected to be on or about Wednesday, 28 November 2007, thus there will be no market for the Offered Shares prior to that date.

In addition, until the merger of security codes occurs, liquidity, price and volatility in the Offered Shares under the temporary securities code may be significantly different from the liquidity, price and volatility of the Existing Shares.

The market price for the Shares (including the Offered Shares) and Preemptive Rights may be influenced by many factors, including but not limited to:

- the results of NeuroSearch's preclinical studies and clinical studies or those of its collaborative partners or competitors;
- the failure of any of NeuroSearch's drug programmes, or the drug programmes of its collaborative partners, to achieve commercial success, if they are approved;
- developments concerning NeuroSearch's collaborative partners or pharmaceutical and biotech companies in general;
- regulatory developments, such as changes in the structure of healthcare payment systems;
- developments or disputes concerning patents or other proprietary rights;
- litigation;
- changes in key personnel;
- general stock market fluctuations;
- recommendations by securities analysts and investors' perceptions of NeuroSearch; and
- general economic, industry and market conditions.

The Company may issue additional Shares or other securities in the future which could have an adverse impact on the Share price. The Company's significant Shareholders, directors and executive managers could decide to sell Shares (including Offered Shares) or Preemptive Rights, which could have a material adverse impact on the market price of the Shares (including Offered Shares) and the Preemptive Rights.

The Company and the members of its Board of Directors and Executive Management are restricted by lock-up agreements for a limited period of time after the Offering is completed. See "III.7. Selling security holders and lock-up agreements" for a more detailed description of the agreements, including exceptions hereof. Following the end of the lock-up periods, the Company and the members of its Board of Directors and Executive Management, respectively, will be free to sell and the Company will be free to issue Shares or other securities, which could cause the market price of its Shares to decline. The Company has no current plans for a subsequent public offering of its Shares. However, it is likely that the Company may decide to offer additional Shares or other securities in the future. An additional offering or sale by the Company or the individuals mentioned above of Shares or other securities, or a public perception that an offering or sale may occur, could have an adverse effect on the market price of the Shares.

Four Shareholders have declared that they hold at least 5 per cent of the Company's share capital, and an announcement of a disposal by any of these major Shareholders could come at any time.

Four Shareholders have declared that they each hold at least 5 per cent of the Company's outstanding share capital. With the exception of Asger Aamund and A.J. Aamund A/S, none of these Shareholders is subject to a lock-up agreement of any kind and, therefore, sales of Shares held by them could occur at any time. The sale of a substantial number of the Shares or of the Preemptive Rights, or the possibility that such sales may occur during or after the Subscription Period, may have an adverse impact on the price of the Shares or the Preemptive Rights. The Company cannot anticipate the possible effects of any sale by its Shareholders of Shares or Preemptive Rights on the price of the Shares or the Preemptive Rights.

There is a risk that the Offering is not completed, and it may be withdrawn in certain exceptional and unpredictable circumstances.

In connection with the Offering the Company and the Joint Global Coordinators have entered into a rights issue agreement. See "III.5.u. Placing and underwriting".

In the period until registration of the capital increase with the Danish Commerce and Companies Agency, the Joint Global Coordinators are entitled, in certain exceptional and unpredictable circumstances (including force majeure), to terminate the rights issue agreement and, in such case, the Company shall withdraw the Offering. In the event that such circumstances occur before registration of the capital increase with the Danish Commerce and Companies Agency, and the Joint Global Coordinators decide to terminate the rights issue agreement, the Preemptive Rights will become null and void and no Offered Shares will be issued, causing Shareholders and investors who may hold or may have acquired Preemptive Rights and/or Offered Shares to incur a loss, see below.

If the Offering is not completed investors who obtained Preemptive Rights may incur a total loss on the purchase price of the Preemptive Rights.

If the Offering is not completed, the exercise of the Preemptive Rights that has already taken place will automatically be cancelled, the subscription price will be refunded (less any brokerage fees), all Preemptive Rights will be null and void, and no Offered Shares will be issued. However, trades of Preemptive Rights executed during the trading period for the Preemptive Rights will not be affected. As a result, investors who acquired Preemptive Rights will incur a loss corresponding to the purchase price of the Preemptive Rights.

Purchasers of Offered Shares prior to the completion of the Offering may lose their investment if the Offering is not completed.

If the Offering is not completed, the Offered Shares will not be issued and investors who have acquired Offered Shares in an off-market transaction risk losing their investment if they are not successful in reclaiming the purchase price from the seller of such Offered Shares.

If there is a substantial decline in the market price of the Shares, the Preemptive Rights may lose their value.
The market price of the Preemptive Rights depends on the price of the Shares. A drop in the price of the Shares could have an adverse impact on the value and market price of the Preemptive Rights.

Failure to exercise Preemptive Rights by Friday, 23 November 2007 at 5:00 p.m. CET will result in the lapse of the holder's Preemptive Rights.
If Preemptive Rights are not exercised by Friday, 23 November 2007 at 5:00 p.m. CET, such holders' Preemptive Rights to subscribe for Offered Shares will lapse with no value, and the holder will not be entitled to compensation. Accordingly, Shareholders and other holders of Preemptive Rights and their financial intermediaries must ensure that all required exercise instructions and certificates are actually received by Nordea Bank Danmark A/S as authorised issuing agent before the deadline. If a Shareholder or holders of Preemptive Rights or their financial intermediaries fail to complete and sign the required certificates, or otherwise fail to follow the procedures applicable to exercising the Preemptive Rights, the Preemptive Rights will lapse with no value and will no longer exist.

If the Existing Shareholders do not exercise any or all of the Preemptive Rights, their ownership interests will be significantly diluted.
Upon the issue of the Offered Shares, Existing Shareholders who do not exercise their Preemptive Rights will experience substantial dilution of their ownership interest and voting rights. Even if Existing Shareholders decide to sell their Preemptive Rights, the compensation they receive may not necessarily be sufficient to offset this dilution.

The market for the Preemptive Rights and the Offered Shares might only offer limited liquidity and, if a market does develop, the price of the Preemptive Rights and the Offered Shares may be subject to greater volatility than the price of the Shares.
The period in which the Preemptive Rights may be traded on the OMX Nordic Exchange Copenhagen will commence on Wednesday, 7 November 2007 at 9.00 a.m CET and close on Tuesday, 20 November 2007 at 5:00 p.m. CET. No guarantee can be given as to whether a market will develop for the Preemptive Rights and the Offered Shares when they will be trading for the first time on the OMX Nordic Exchange Copenhagen, and if such a market does develop, the Preemptive Rights and the Offered Shares may be subject to greater volatility than the Existing Shares.

The net proceeds from this Offering may not be used effectively.
NeuroSearch currently intends to use the proceeds of the Offering as described in "III.3.d. Reason for the Offering and the use of proceeds". However, there can be no assurance that NeuroSearch will in fact use the proceeds in accordance with the current expectations. Pending any such use, NeuroSearch plans to invest the net proceeds from the Offering in accordance with the investment policy described in "I.9. Capital resources". Such investments may not yield a favourable return to Shareholders. Any failure by NeuroSearch to apply these funds effectively could have a material adverse effect on NeuroSearch's business.

There are additional risks to investors residing outside Denmark.
The Company is a public limited liability company organised under the laws of Denmark, which may make it difficult for Shareholders residing outside Denmark to exercise or enforce certain rights.
The rights of holders of Shares and Preemptive Rights are governed by Danish law and by the Company's Articles of Association. These rights may differ from the typical rights of shareholders in the United States and other jurisdictions. See "III.5. Terms and conditions of the Offering".

In addition, the members of the Management are residents of Denmark or Sweden, and all or a substantial portion of the assets of the Company and of such persons are located in those countries. As a result, it may not be possible for investors to effect service of process outside Denmark upon the Company or such persons, or to enforce against them in courts outside Denmark, judgements obtained from non-Danish courts based upon applicable law in jurisdictions outside Denmark.

As another example, in the case of an increase of the Company's share capital for payment in cash, Shareholders are generally entitled to preemptive rights pursuant to Danish law. To the extent that preemptive rights are granted, US and certain other

non-Danish holders of the Shares may not be able to exercise preemptive rights for their Shares, including in connection with offering of Shares below market value, unless the Company decides to comply with applicable laws, regulations and other requirements in the relevant countries and, in the case of US holders, unless a registration statement under the Securities Act is effective with respect to those rights, or an exemption from the registration requirements thereunder is available. The Company intends to evaluate at the time of any future rights offering the costs and potential liabilities, direct and indirect, associated with any such compliance or registration statement. At such time, the Company also intends to evaluate the indirect benefits to it of enabling the exercise by US and other non-Danish holders of Shares or preemptive rights and any other factors NeuroSearch considers appropriate at the time. On the basis of this evaluation, NeuroSearch will then need to make a decision as to whether to file such a registration statement or any other steps necessary to enable Shareholders in such non-Danish jurisdictions to exercise their preemptive rights. No assurance can be given that any steps will be taken in any jurisdiction or that any registration statement will be filed to enable the exercise of such holders' preemptive rights.

In addition, Shareholders outside Denmark may face difficulties exercising their rights to vote.

Shareholders outside Denmark are subject to exchange rate risk.

The Preemptive Rights and the Offered Shares are priced in DKK. Accordingly, the value of the Preemptive Rights and the Offered Shares will be likely to fluctuate as the exchange rate between the local currency of the country in which an investor outside Denmark is based and the DKK fluctuates. If the value of the DKK decreases against the local currency of the country in which an investor outside Denmark is based, the value of such investor's Preemptive Rights and the Offered Shares will decrease.

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NEUROSEARCH A/S

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PART I – COMPANY INFORMATION

I. Company information – NeuroSearch

1. Independent accountants

The Company's independent accountants are:

Mogens Nørgaard Mogensen, State Authorised Public Accountant
Brian Benjamin Staalkjær, State Authorised Public Accountant

PricewaterhouseCoopers Statsautoriseret Revisionsaktieselskab
Strandvejen 44
DK-2900 Hellerup, Copenhagen
Denmark

Mogens Nørgaard Mogensen and Brian Benjamin Staalkjær are members of the Institute of State Authorised Public Accountants in Denmark (Foreningen af Statsautoriserede Revisorer, FSR).

The annual report for the year ended 31 December 2004 was audited by PricewaterhouseCoopers Statsautoriseret Revisionsaktieselskab, Strandvejen 44, DK-2900 Hellerup, Denmark and by Deloitte Statsautoriseret Revisionsaktieselskab, Weidekampsgade 6, DK-2300 Copenhagen S, Denmark, the Company's two independent auditors.

Following an amendment to the Danish Financial Statements Act, Danish listed companies are no longer required to have two external auditors. Consequently, Deloitte was not reappointed at the annual general meeting held in April 2005. The annual reports for 2005 and 2006 have thus only been audited by PricewaterhouseCoopers and consequently the independent auditor's reports contained in this Offering Circular have been issued by PricewaterhouseCoopers.

2. Selected key financial information

The selected financial information presented below has been taken from the Company's audited consolidated financial statements for the years ended 31 December 2004, 2005 and 2006, included elsewhere in this Offering Circular, and should be read in conjunction therewith. The annual reports for 2004, 2005 and 2006 from which the Company's consolidated financial statements have been extracted were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and additional Danish disclosure requirements for annual reports of listed companies. This section also includes selected financial information taken from the Company's audited interim consolidated financial statements for the six months ended 30 June 2007 with comparative figures for the six months ended 30 June 2006 included elsewhere in this Offering Circular, and should be read in conjunction therewith. The published interim report for the six months ended 30 June 2007 from which the interim consolidated financial statements of the Company have been extracted was prepared in accordance with the recognition and measurement criteria of the IFRS as adopted by the European Union and additional Danish interim financial reporting requirements for listed companies. Finally, Table 3, "Key financial information for the six months ended 30 June 2007 and 2006 and pro forma financial information for the six months ended 30 June 2006" contains certain pro forma financial information concerning the six months ended 30 June 2006, which includes financial information for Carlsson Research (now NeuroSearch Sweden), as if it had been acquired by the Company on 1 January 2006.

Part II of this Offering Circular also includes pro forma financial information for a combined NeuroSearch and Carlsson Research, comprising the income statement for the period 1 January to 31 December 2006. This pro forma financial information has been included to present a pro forma income statement covering a full financial year. While Management believes that this pro forma financial information is relevant to investors, the presentation is hypothetical, for information purposes only, and is not intended to constitute or show the overall results or financial position of the Group that would have been reported had the combination been completed at any time before 23 October 2006, and it should not be considered an indication of the future overall results or financial position of the Group. Investors should read the pro forma consolidated financial information together with "I.8. Review of operations and financial statements", the Company's audited consolidated financial statements and related notes thereto and other financial information included elsewhere in this Offering Circular.

Table 2: Key financial information for the last three financial years ended 31 December

Key financial information

(in millions)	2006		2005		2004	
	Group DKK	Group EUR	Group DKK	Group EUR	Group DKK	Group EUR
Income statement data:						
Revenue	66.3	8.9	176.5	23.7	122.3	16.4
Research costs	172.3	23.2	159.6	21.5	140.7	18.9
Development costs	54.8	7.4	17.6	2.4	21.3	2.9
Operating profit/(loss)	(186.7)	(25.1)	(22.3)	(3.0)	(62.0)	(8.3)
Net financial items	(25.5)	(3.4)	22.9	3.1	58.6	7.9
Profit/(loss) before tax	(212.2)	(28.5)	0.6	0.1	(3.3)	(0.4)
Net profit/(loss)	(212.2)	(28.5)	0.6	0.1	(3.3)	(0.4)
Balance sheet data:						
Assets						
Total non-current assets	857.2	115.2	220.5	29.6	210.2	28.3
Cash and cash equivalents, other financial assets at fair value and available-for-sale financial assets	387.0	52.0	403.4	54.2	426.9	57.4
Total current assets	410.3	55.1	412.4	55.4	445.9	59.9
Total assets	1,267.5	170.4	632.9	85.1	656.1	88.2
Liabilities and shareholders' equity						
Equity	657.7	88.4	408.0	54.8	416.5	56.0
Total non-current liabilities	435.7	58.6	131.7	17.7	127.9	17.2
Total current liabilities	174.1	23.4	93.3	12.5	111.7	15.0
Total equity and liabilities	1,267.5	170.4	632.9	85.1	656.1	88.2
Cash flow statement data:						
Cash flow from operating activities	(166.4)	(22.4)	(19.6)	(2.6)	(118.5)	(15.9)
Cash flow from investing activities	(335.5)	(45.1)	(45.1)	(6.1)	(102.0)	(13.7)
Cash flow from financing activities	365.2	49.1	14.2	1.9	12.4	1.7
Cash and cash equivalents at the end of the period	(7.2)	(1.0)	129.5	17.4	181.8	24.4
Other capital resources[(1)]:						
Marketable securities	318.8	42.8	218.3	29.3	176.3	23.7
Other available-for-sale financial assets at the end of period	58.7	7.9	47.6	6.4	78.7	10.6
Other capital reserves at the end of period	133.3	17.9	41.4	5.6	40.9	5.5
Capital resources at the end of period	503.6	67.7	436.8	58.7	477.7	64.2
Per share ratios (DKK/EUR):						
Earnings per share	(24.17)	(3.25)	0.07	0.01	(0.43)	(0.06)
Diluted earnings per share	(24.17)	(3.25)	0.07	0.01	(0.43)	(0.06)
Net asset value per share	53.38	7.2	51.71	7.0	53.81	7.2
Average number of employees	199	199	185	185	175	175

Note: Calculations of the financial ratios are consistent with the "Recommendations & Ratios 2005" issued by the Danish Society of Financial Analysts.

(1) NeuroSearch's capital resources include cash and cash equivalents, listed and unlisted securities, unused credit lines on bank credit facilities and guaranteed future payments from GSK under the GSK Agreement.

Table 3: Key financial information for the six months ended 30 June 2007 and 2006 and pro forma financial information for the six months ended 30 June 2006

Key financial information (in millions)	H1 2007		H1 2006		H1 2006, pro forma[2]	
	Group DKK	Group EUR	Group DKK	Group EUR	Group DKK	Group EUR
Income statement data:						
Revenue	46.9	6.3	33.0	4.4	33.0	4.4
Research costs	99.0	13.3	82.0	11.0	93.0	12.5
Development costs	55.3	7.4	20.9	2.8	24.2	3.3
Operating profit/(loss)	(125.3)	(16.8)	(83.0)	(11.2)	(101.4)	(13.6)
Net financial items	(23.8)	(3.2)	(15.6)	(2.1)	(19.3)	(2.6)
Profit/(loss) before tax	(149.1)	(20.0)	(98.5)	(13.2)	(120.7)	(16.2)
Net profit/(loss)	(149.1)	(20.0)	(98.5)	(13.2)	(120.7)	(16.2)
Balance sheet data:						
Assets						
Total non-current assets	875.3	117.6	214.3	28.8		
Cash and cash equivalents, other financial assets at fair value and available-for-sale financial assets	295.9	39.8	349.2	46.9		
Total current assets	316.8	42.6	358.6	48.2		
Total assets	1,192.1	160.2	572.9	77.0		
Liabilities and shareholders' equity						
Equity	514.2	69.1	312.1	41.9		
Total non-current liabilities	296.9	39.9	126.7	17.0		
Total current liabilities	381.0	51.2	134.0	18.0		
Total equity and liabilities	1,192.1	160.2	572.9	77.0		
Cash flow statement data:						
Cash flow from operating activities	(88.6)	(11.9)	(46.0)	(6.2)		
Cash flow from investing activities	69.2	9.3	(27.8)	(3.7)		
Cash flow from financing	9.2	1.2	5.3	0.7		
Cash and cash equivalents at the end of the period	(15.3)	(2.1)	68.3	9.2		
Other capital resources[1]:						
Marketable securities	237.2	31.9	235.0	31.6		
Other available-for-sale financial assets at the end of period	52.1	7.0	45.9	6.2		
Other capital reserves at the end of period	80.9	10.9	0.9	0.1		
Capital resources at the end of period	354.9	47.7	350.1	47.1		
Per share ratios (DKK/EUR):						
Earnings per share	(12.03)	(1.62)	(12.46)	(1.67)	(15.48)	(2.08)
Diluted earnings per share	(12.03)	(1.62)	(12.46)	(1.67)	(15.48)	(2.08)
Net asset value per share	41.32	5.6	39.44	5.3		
Average number of employees	225	225	189	189		

Note: Calculations of the financial ratios are consistent with the "Recommendations & Ratios 2005" issued by the Danish Society of Financial Analysts.

(1) NeuroSearch's capital resources include cash and cash equivalents, listed and unlisted securities, unused credit lines on bank credit facilities and guaranteed future payments from GSK under the GSK Agreement. At 30 June 2007, capital resources totalled DKK 354.9 million (EUR 47.7 million), of which shares in Bavarian Nordic accounted for DKK 52.1 million (EUR 7.0 million) and the last payment due under the GSK Agreement accounted for DKK 52.1 million (EUR 7 million).

(2) The pro forma financial information has been compiled to show the effect that the acquisition of Carlsson Research (now NeuroSearch Sweden) which was completed on 23 October 2006 would have had on NeuroSearch's results of operations had the acquisition taken place at 1 January 2006. While Management believes that this comparative information is relevant for investors, the presentation is not intended to constitute or show the overall results of operations of NeuroSearch that would have been reported had the combination been completed at such dates, and it should not be considered an indication of the future overall results or financial position of NeuroSearch.

3. Risk factors

For a description of risk factors for NeuroSearch, see “Risk factors” earlier in this Offering Circular.

4. Information about NeuroSearch

4.a. Name, registered office, etc.

NeuroSearch A/S
CVR no.: 12546106
Pederstrupvej 93
DK-2750 Ballerup (the Municipality of Ballerup)
Denmark
Telephone: (+45) 4460 8000

Securities identification code

The Company's Shares are listed on the OMX Nordic Exchange Copenhagen under securities identification code ISIN DK0010224666 (NEUR).

Date of incorporation and governing law

The Company was founded and incorporated on 1 September 1988, as a shelf corporation. Activities began in 1989.

The Company is incorporated under Danish law.

4.b. Financial calendar

2007

28 November: Third quarter 2007 report

2008

5 March:	2007 annual report
30 April:	Annual general meeting and first quarter 2008 report
27 August:	2008 half year report
19 November:	Third quarter 2008 report

4.c. Financial year and financial reporting

The Company's financial year runs from 1 January to 31 December.

The Company publishes interim reports for the first, second and third quarters of the financial year and a full-year report. The Company publishes its annual reports and interim reports in both Danish and English.

4.d. Objects and purposes

The Company's corporate object is to carry on research, trade, manufacture and any other activities deemed to be incidental or conducive to the attainment of these objects, primarily within the pharmaceutical industry, including both directly or indirectly through subsidiaries.

4.e. Principal banks

Nordea Bank Danmark A/S
Vesterbrogade 8
P.O. Box 850
DK-0900 Copenhagen C
Denmark

4.f. Transactions with financial advisers

The Joint Global Coordinators have in the past and may in the future at any time provide investment banking services to the Company for which they have received and in the future can receive remuneration and commission.

Danske Markets performs a Black & Scholes calculation determining the market value of the Company's warrant programmes in the interim and annual reports it issues.

Danske Bank A/S has in the past and may in the future at any time provide banking facilities for the Company.

PricewaterhouseCoopers, the auditor of NeuroSearch, also performs advisory work other than the auditing of NeuroSearch's annual reports.

4.g. NeuroSearch's history and development

NeuroSearch is a biopharmaceutical group and has, since its inception, focused on developing new drugs to treat central nervous system (CNS) diseases and other diseases primarily through ion channel modulation. NeuroSearch has a broad research and development portfolio which includes compounds for the treatment of Huntington's disease, obesity, depression, Attention Deficit Hyperactivity Disorder (ADHD), pain, anxiety, epilepsy, Parkinson's disease, Chronic Obstructive Pulmonary Disease (COPD) and autoimmune diseases.

The Company was founded in 1989 in Copenhagen, Denmark. Since that date, NeuroSearch has expanded its ion-channel platform, initiated a number of clinical drug programmes and entered into a number of development, licence and partnership agreements with international pharmaceutical groups.

From its inception to 1995, NeuroSearch generated DKK 159.3 million (EUR 21.4 million) of revenues from such agreements and raised DKK 118.5 million (EUR 15.9 million) of venture capital. In 1994, the Company was a co-founder of Danish-based vaccine company Bavarian Nordic, which is today listed on the OMX Nordic Exchange Copenhagen.

The Company was listed on the Copenhagen Stock Exchange (now OMX Nordic Exchange Copenhagen) in 1996. During the years 1996-2001, the portfolio of clinical drug programmes was further developed, and a number of development, licence and partnership agreements were signed with pharmaceutical companies including Pfizer, Pharmacia & Upjohn (now Pfizer), Shire, Abbott, Glaxo (now GSK) and Organon. In 1999, the Company spun off the development of biological CNS drugs into a new company, NsGene, and in 2000 the ion channel screening technology was spun off into another new company, Sophion Bioscience. Two equity issues were made in 1998 and 2001, respectively, with total net proceeds of DKK 381 million (EUR 51.2 million), whilst revenues from development, licence and partnership agreements from 1996 through 2001 totalled DKK 277.5 million (EUR 37.3 million).

In 2002, the Company entered into a development and licence agreement with Boehringer Ingelheim concerning the drug candidate NS2330. The following year, the Company signed a broad five-year strategic agreement with GSK (the GSK Agreement) focussing on ion channels and CNS diseases, including a licence agreement concerning NeuroSearch's drug candidate NS2359. GSK concurrently acquired an 8.0 per cent equity interest in the Company. In late 2006, the GSK Agreement was amended. See "I.19.b. Significant collaborative and license agreements".

In 2004, a number of new clinical studies were initiated, both with self-funded and partner-funded drug candidates.

In 2005, Boehringer Ingelheim decided to stop the development of NS2330 for the treatment of Alzheimer's and Parkinson's diseases after the completion of three Phase IIb studies. However, as a potentially favourable outcome of the same studies, statistically significant weight losses were seen in obese Alzheimer's and Parkinson's patients after treatment with the compound. In the same year, the Company received a milestone payment of DKK 74.4 million (EUR 10.0 million) from GSK under the GSK Agreement concerning NS2359. The Company selected two new drug candidates from its ion channel platform.

In April 2006, all rights to NS2330 – now called tesofensine – were either transferred back or licensed to NeuroSearch by Boehringer Ingelheim against payment of a portion of any future revenues. See "I.19.b. Significant collaborative and license agreements".

In April 2006, one of NeuroSearch's founders and the then Chief Executive Officer, Jørgen Buus Lassen, stepped down, and the then Chief Financial Officer, Flemming Pedersen, was appointed Chief Executive Officer.

In September 2006, NeuroSearch initiated a Phase IIb study with tesofensine for the treatment of obesity, and later in the year a Phase I/II metabolic supplementary study was initiated. Also in 2006, two new drug candidates were selected under the partnership with Abbott.

In October 2006, the Company acquired Sweden-based Carlsson Research, a biopharmaceutical company focused on the discovery and development of novel drugs in the CNS field. The purchase price for Carlsson Research (now NeuroSearch Sweden) consisted of an upfront payment of SEK 250 million (DKK 200.0 million) (EUR 26.9 million) plus future success-based milestone payments of up to SEK 575 million (DKK 460.0 million) (EUR 61.8 million) plus half of the up-front payment should a collaborative agreement on the compound ACR325 be signed. With the acquisition, NeuroSearch added four drug programmes to its development pipeline, including ACR16, which at the time of the acquisition was in Phase II/III for the treatment of Huntington's disease. NeuroSearch also took over a license agreement with Astellas concluded by Carlsson Research (now NeuroSearch Sweden), see "I.19.b. Significant collaborative and license agreements", under which Astellas is developing ACR16 for schizophrenia. In connection with the acquisition, the Company undertook a rights issue to its Shareholders. The rights issue was fully subscribed with net proceeds of DKK 367.6 million (EUR 49.4 million).

In November 2006, NeuroSearch met the first milestone in the Carlsson Research Agreement, initiating a Phase I study with the drug candidate ACR325, and paid SEK 75 million (DKK 60.0 million) (EUR 8.1 million) in cash to the selling shareholders of Carlsson Research.

In December 2006, GSK initiated the first of two Phase II studies with NS2359 for depression.

In total, the Company generated DKK 727 million (EUR 97.7 million) of revenues from development, licence and partnership agreements in 2002-2006.

In March 2007, Abbott initiated a Phase II study with ABT-894 in ADHD, and in April 2007, Astellas, under the license agreement originally concluded with Carlsson Research and continued with NeuroSearch Sweden concerning ACR16, initiated a Phase I multiple-dosing study with this drug candidate in patients suffering from schizophrenia. Also in April 2007, GSK initiated the second Phase II study with NS2359 for depression.

In May and July 2007, Abbott took two novel drug candidates, ABT-107 and ABT-560, into their first clinical studies. In June 2007, NeuroSearch initiated a Phase II extension study with tesofensine, offering patients who had completed treatment under the first Phase IIb study to continue treatment for another six months. In June 2007, GSK accepted NSD-644 as a compound to be further developed by NeuroSearch under the GSK Agreement, and in September 2007, Abbott initiated the second Phase II study with ABT-894 in neuropathic pain.

In September 2007, NeuroSearch reported the results from the Phase IIb Proof-of-Concept obesity study with tesofensine in 203 patients ("TIPO-1"). Results showed that 24 weeks' treatment with tesofensine resulted in a significant and dose-dependent weight loss. All primary endpoints were met and secondary endpoints were also met. Further, data showed that tesofensine was well-tolerated with an acceptable safety profile.

Further, to date in 2007, NeuroSearch has completed preparations for a Phase III programme with ACR16 for the treatment of Huntington's disease. As part of these preparations, in late September NeuroSearch filed an application to initiate Phase III studies in Europe. NeuroSearch also added three new drug development candidates from its research programmes to the development pipeline.

As of the Offering Circular Date, NeuroSearch's product pipeline comprises two drug candidates in preparation for Phase III, namely tesofensine for obesity and ACR16 for Huntington's disease, five drug programmes in Phase II, four drug programmes in Phase I and nine preclinical development programmes. For a detailed description of NeuroSearch's pipeline, see "I.5.c. Clinical drug programmes" and "I.5.d Preclinical development programmes".

4.h. Investments

Table 4: Capital investments

(DKK million)	**2006**	**2005**	**2004**	**H1 2007**	**H1 2006**
Investments in property, plant and equipment	12.9	13.0	14.8	3.6	6.4

NeuroSearch invested DKK 3.6 million (EUR 0.5 million) in property, plant and equipment in the first half of 2007 compared with DKK 6.4 million (EUR 0.9 million) in the first half of 2006. Most of the investments made in 2004, 2005, 2006 and in the first half of 2007 have been in laboratory equipment and IT.

The financing for these investments has primarily been effected through finance leases and the remainder through NeuroSearch's own financial resources, mainly cash.

In the second half of 2007, NeuroSearch expects to invest approximately DKK 7.5 million (EUR 1.0 million) in property, plant and equipment. This amount does not include the cost of expanding the R&D facilities discussed below.

As a result of the growth in NeuroSearch's development activities and the increasing number of clinical studies with new drug candidates, NeuroSearch has decided to expand the R&D facilities in Ballerup. Construction is expected to begin this year with planned completion in late 2008, adding approximately 800 square metres and approximately 30 new offices. The total investment in the new building is estimated to be approximately DKK 30 million (EUR 4.0 million). NeuroSearch has received confirmation from Nordea Bank Danmark A/S that financing for the new building through a bank loan is available. NeuroSearch has not made any firm commitments regarding other material future investments.

NeuroSearch has also established and invested in biotech companies, some of which have been spun off, and the Company has co-founded companies within its field of activity together with other investors. These companies are developed separately with their own management, funding and ownership structure. The Company does not, and does not intend to, hold itself out to be an investment company within the meaning of the US Investment Company Act of 1940, as amended.

Table 5: The Company's equity interests in associated companies as of 30 September 2007

Company	Shareholding (per cent)	Investment (DKK million)
Bavarian Nordic A/S(1)	1.3	11.8
NsGene A/S(2)	25.2	21.4
Sophion Bioscience A/S(3)	29.6	36.5
Atonomics A/S	18.8	17.7
ZGene A/S	17.7	7.8
PainCeptor Corporation Inc.	2.6	-
TOTAL	**-**	**95.2**

(1) Bavarian Nordic is listed on the OMX Nordic Exchange Copenhagen, and the Company has reduced its investment considerably over the past few years. For a discussion of these equity interests and divestitures, see "I.8. Review of operations and financial statements".

(2) NeuroSearch has granted subordinated, convertible loans to NsGene that, as of the Offering Circular Date, total DKK 11.3 million (EUR 1.5 million), which is not reflected in the table above.

(3) NeuroSearch has granted convertible loans to Sophion Bioscience that, as of the Offering Circular Date, total DKK 2.6 million (EUR 0.3 million), which is not reflected in the table above.

The Company has no obligation to make additional investments in its associated companies. Such investments will be evaluated on a case-by-case basis, and the Company intends to make such investments only in cases where it considers this to be in accordance with NeuroSearch's overall strategy.

5. Business

NeuroSearch is a biopharmaceutical group and has since its inception focused on developing new drugs to treat central nervous system (CNS) diseases and other diseases. CNS diseases comprise psychiatric disorders such as depression, anxiety, ADHD, schizophrenia and other psychotic disorders as well as neurological disorders such as Huntington's disease, pain, epilepsy, Alzheimer's disease and Parkinson's disease. NeuroSearch's focus on other disease areas includes obesity, inflammatory diseases, cardio-vascular diseases, urinary incontinence and respiratory diseases.

NeuroSearch's activities are based on a broad and well established research platform in the field of ion channels, receptors and transporters, and NeuroSearch's drug discovery efforts are focused on small organic compounds modulating the function of these protein targets.

NeuroSearch has significant preclinical and clinical development experience, and NeuroSearch's drug discovery platform has formed the basis for license collaborations with a number of large international pharmaceutical companies. NeuroSearch's current product pipeline comprises two drug candidates in preparation for Phase III, five drug programmes in Phase II and four drug programmes in Phase I. Furthermore, nine drug programmes are in preclinical development, as shown in the table below.

Table 6: NeuroSearch's current clinical and preclinical drug development programmes

Drug candidate	Indication	Status	Next development milestone	Marketing rights
ACR16	Huntington's disease	Phase III in preparation	Initiation of Phase III studies	NeuroSearch[(1)]
Tesofensine	Obesity	Phase III in preparation	Initiation of Phase III studies	NeuroSearch[(2)]
NS2359	Depression	Phase IIb	Completion of Phase IIb studies	GSK
ABT-894	ADHD	Phase II	Completion of Phase II studies	Abbott
ABT-894	Neuropathic pain	Phase II	Completion of Phase II studies	Abbott
NS2359	ADHD	Phase II	Initiation of Phase IIb studies	GSK
NS1209	Status epilepticus/ neuropathic pain	Phase II	Initiation of Phase IIb studies	NeuroSearch
ACR16	Schizophrenia	Phase I	Initiation of Phase II studies	Astellas
ACR325	Parkinson's disease and psychoses, incl. bipolar disorder	Phase I	Initiation of Phase II studies	NeuroSearch
ABT-107	Schizophrenia, cognitive dysfunctions	Phase I	Initiation of Phase II studies	Abbott
ABT-560	Cognitive dysfunctions	Phase I	Initiation of Phase II studies	Abbott

Drug candidate	Indication	Status	Next development milestone	Marketing rights
ACR343	Parkinson's disease	Preclinical development	Initiation of Phase I studies	NeuroSearch
NSD-644	Pain, psychiatric diseases	Preclinical development	Initiation of Phase I studies	NeuroSearch/GSK
NSD-708	Anxiety	Preclinical development	Initiation of Phase I studies	NeuroSearch/GSK Option (3)
NSD-788	Anxiety, among others	Preclinical development	Initiation of Phase I studies	NeuroSearch/GSK Option (3)
NSD-683	CNS diseases	Preclinical development	Completion of preclinical development for Phase I	Abbott
NSD-503	Chronic Obstructive Pulmonary disease	Preclinical development	Completion of preclinical development for Phase I	NeuroSearch
NSD-726	Autoimmune diseases	Preclinical development	Completion of preclinical development for Phase I	NeuroSearch/GSK Option(3)
NSD-721	Anxiety, among others	Preclinical development	Completion of preclinical development for Phase I	NeuroSearch/GSK Option(3)
NSD-761	Schizophrenia, cognitive dysfunctions	Preclinical development	Completion of preclinical development for Phase I	NeuroSearch/GSK Option(3)

(1) With marketing rights in the European Union, Norway, Switzerland, the United States and Canada.

(2) Under the termination agreement with Boehringer Ingelheim, NeuroSearch is under the obligation to make certain payments to Boehringer Ingelheim. See "I.19.b. Significant collaborative and license agreements".

(3) For these drug candidates, GSK holds an option under the GSK Agreement as described in "I.19.b. Significant collaborative and license agreements".

NeuroSearch's drug discovery platform is designed to identify and select new compounds to be developed as drug candidates, and NeuroSearch is currently working mainly within the research areas described in "5.e. NeuroSearch's drug discovery platform". In 2006 and to date in 2007, NeuroSearch has identified a total of eight new drug candidates, which have been taken into development either by collaborative partners or in-house. NeuroSearch has an extensive intellectual property portfolio, which includes more than 1,900 pending patents and patent applications and more than 950 issued patents worldwide.

NeuroSearch has entered into research, development and licence agreements with major international pharmaceutical companies. In total, through 30 June 2007, NeuroSearch has generated revenues of more than DKK 1,200 million (EUR 161.3 million) from such collaborations, including DKK 365 million (EUR 49.1 million) over the last three years. In the first half of 2007, revenues from partners were DKK 46.9 million (EUR 6.3 million).

NeuroSearch's most important current collaboration is a strategic alliance with GSK, one of the world's largest pharmaceutical companies which holds a significant position within the CNS area. The GSK Agreement was entered into in 2003 and focuses on drug discovery within ion channels and CNS indications. In late 2006, the GSK Agreement was amended to include a new structure in terms of how the parties are collaborating on the development of drug candidates. Under the amended GSK Agreement, when a compound has been identified by NeuroSearch for preclinical development and accepted by GSK, NeuroSearch retains responsibility for clinical development until completion of Proof-of-Concept (typically through Phase IIa). GSK will in this case be responsible for development from Proof-of-Concept, as well as for production and marketing, if GSK

decides to proceed with the development. NeuroSearch will fund the part of the development for which it is responsible, in exchange for certain milestone payments. Under the amended structure, NeuroSearch may receive up to DKK 811.0 million (EUR 109 million) (payments made in EUR) in total milestones per drug candidate accepted by GSK and low double digit royalties on net sales. Further, as part of the GSK Agreement, the Company has the option to issue Shares to GSK at market price for an amount of up to DKK 37.2 million (EUR 5 million) (calculated in EUR) upon the filing of each of the first six "IND" applications (application to initiate clinical studies in the United States), or a total of up to DKK 223.2 million (EUR 30 million). In addition, as part of the GSK Agreement, the Company has granted an exclusive licence to GSK to develop NS2359. The Company has received and may in the future receive milestone payments based on the continued successful development of NS2359. In addition, the Company may also receive royalties on any future sales of NS2359. In addition, GSK has the possiblitiy to pursue the collaboration regarding a compound under the structure of the original agreement. The GSK Agreement expires at the end of 2008 but will continue to apply for compounds identified for further development. For more information on the GSK Agreement, see "I.19.b. Significant collaborative and license agreements".

NeuroSearch has a licence agreement with Abbott covering four drug candidates: ABT-894 in Phase II in two indications, ABT-107 and ABT-560 in Phase I and NSD-683 in preclinical development. Abbott is responsible for the development of these compounds and NeuroSearch is entitled to milestones and royalties as these compounds are developed. For more information on this agreement, see "I.19.b. Significant collaborative and license agreements".

In addition, NeuroSearch has an agreement with Astellas covering ACR16. Astellas is conducting a Phase Ib study in the United States with the aim of developing ACR16 for the treatment of schizophrenia. NeuroSearch is developing ACR16 for the treatment of Huntington's disease and holds the rights to market ACR16 for the treatment of Huntington's disease in the European Union, Norway, Switzerland, the United States and Canada. For more information on this agreement, see "I.19.b. Significant collaborative and license agreements".

5.a. Corporate strategy

The drug discovery foundation of NeuroSearch's development efforts is rooted in the modulation of ion channels, receptors and transporters, in which NeuroSearch has broadly based competencies. The modulation of these targets plays a pivotal role in CNS diseases and a number of other disease areas.

NeuroSearch has built a drug discovery organisation covering disciplines which it considers essential for drug discovery as well as a development organisation with the skills required to develop selected drugs all the way through to registration. For products expected to be marketed and sold primarily for non-specialist indications (i.e. those treated by general practitioners), NeuroSearch's strategy is to seek business partners with the relevant competencies to fund and conduct part of the late-stage development, production and marketing. For products targeting speciality indications which may be marketed with a limited sales organisation, NeuroSearch will seek to retain all intellectual property rights and marketing activities as this is believed to create maximum value to NeuroSearch.

NeuroSearch has decided upon the following overall strategic goals:

- Progress and mature its clinical pipeline – either alone or through licence partnering – with a view to bringing its first drugs to the market within four years;
- Maintain and support the drug discovery organisation with the objective of advancing at least two drug candidates into development each year;
- Maximise the return from alliances and retain significant and increasing product rights in existing and new collaborations with pharmaceutical and biotechnology companies, including engaging in late stage development activities (Phase II and Phase III) in partnered programmes; and
- Further expand and accelerate pipeline growth through in-licensing of drug candidates and acquisition of businesses with complementary drug programmes.

5.b. NeuroSearch's drug development

Drug development includes several disciplines. The physical-chemical properties of the drug candidate must be carefully characterised, and the aspects concerning the chemical production must be evaluated. These disciplines are collectively known as CMC (Chemistry, Manufacturing, Control). In addition to the CMC activities, preclinical studies aimed at evaluating toxicological and safety issues must be carried out before clinical studies can be initiated. NeuroSearch has built a strong drug development organisation covering all of these disciplines, and Management believes this enables NeuroSearch to move fast and flexibly during development of each drug candidate.

NeuroSearch also has the capability and expertise actively to initiate and monitor toxicological and ADME (Absorption, Distribution, Metabolism, and Excretion) studies, as well as bioanalysis to support such studies. The preclinical and clinical groups are under the supervision of NeuroSearch's quality assurance organisation (Quality Assurance (QA)/Quality Control (QC)) to ensure that NeuroSearch complies with regulatory requirements. NeuroSearch's clinical group has experience in completing Phase I and Phase II studies, and the current development organisation also has the skills and resources necessary to conduct Phase III programmes in speciality indications all the way through to regulatory approval. A part of the ADME activities and preclinical development activities in general is outsourced to contract research organisations to maintain flexibility. Several toxicology and clinical studies are outsourced to contract research organisations. See "Risk factors".

See "I.6.b. Functional structure" for a more detailed description of the drug development organisation.

5.c. Clinical drug programmes

NeuroSearch currently has eleven drug programmes in clinical development, of which two are in preparation for Phase III, five are in Phase II and four are in Phase I development.

Huntington's disease: ACR16

NeuroSearch is preparing a Phase III clinical programme with ACR16 for the treatment of Huntington's disease. This programme is expected to form the basis for applications for marketing authorisation of ACR16. NeuroSearch has the rights to the development and commercialisation of ACR16 for the treatment of Huntington's disease in the European Union, Norway, Switzerland, the United States and Canada. Astellas has the rights to ACR16 for all other indications and for Huntington's disease in all countries other than those listed above. ACR16 was granted orphan drug designation by the EMEA as well as by the FDA in 2005.

Mechanism of action and preclinical profile

ACR16 is a dopaminergic stabiliser. In Huntington's disease patients, the functional consequences of low affinity dopamine receptor antagonism, combined with facilitation of glutamate transmission, is expected to emerge as anti-dyskinetic effects, while normal motor activity is not inhibited. This means that it is expected that ACR16, unlike neuroleptics, will not induce hypokinesia or parkinsonism, but will rather alleviate these symptoms. The enhancement of cortical dopamine transmission is likely to mediate procognitive effects. Furthermore, the stabilisation of dopamine transmission and facilitation of glutamate transmission are expected to alleviate psychotic symptoms. Likewise, the potential antidepressant properties of ACR16 reflected in numerous pharmacological models could potentially help to control affective symptoms in Huntington's disease patients. Taken together, Management believes that ACR16 has the potential to treat the symptoms of the clinical syndrome of Huntington's disease, including motor, psychiatric and cognitive symptoms.

Huntington's disease - clinical condition

Huntington's disease is a fatal hereditary disease, caused by a faulty gene on chromosome 4, which leads to damage of the nerve cells in areas of the brain including the basal ganglia and cerebral cortex.

Patients suffering from Huntington's disease experience a wide variety of symptoms typically grouped into three categories: motor, cognitive and psychiatric, referred to as the "symptoms triad". Some of the motor symptoms include chorea, muscle spasms, tics, rigidity, and in the later stage of the disease difficulties swallowing. The most significant cognitive symptoms are slowed processing of information in the brain, resulting in communicational and planning difficulties, among other

symptoms. Depression is the most common of the psychiatric symptoms of Huntington's disease. Other symptoms include personality changes, apathy, anxiety, irritability and mania.

The disease afflicts men and women alike, occurring at a rate of about one in every 10,000 in most Western countries, with symptoms typically appearing when people are between the ages of 30 to 45 years, according to the Huntington's Disease Society of America (HDSA). Having one parent with Huntington's disease constitutes a 50 per cent risk of inheriting the disease. According to the HDSA, approximately 200,000 people in the United States are at risk of having inherited Huntington's disease. As prevalence is similar in the United States and Europe, the same number of people are believed to be at risk in Europe.

There is currently no cure or effective treatment for Huntington's disease and the disease progresses without remission over a lifespan of 10 to 25 years after onset. Eventually, every person afflicted by Huntington's disease requires full-time care. Huntington's disease is fatal, and there are high unmet medical needs. Physicians frequently prescribe various medications to help control psychiatric and movement problems, but most drugs used have limited effect and are associated with undesirable side effects.

In light of the poor efficacy and side effects associated with existing therapeutic options, Management believes that an efficacious treatment for Huntington's disease is likely to be rapidly adopted and command a high price premium by addressing the pharmacoeconomic issues associated with the disease. Any new drug could achieve a competitive advantage if it is efficacious in alleviating the symptoms triad in Huntington's disease.

Clinical development

Phase III

After completion of a six month toxicology study with satisfactory results in June 2007, NeuroSearch has continued preparations for a Phase III programme with ACR16 in Huntington's disease. As part of these preparations, in late September NeuroSearch filed a Clinical Trial Application (CTA) with the European authorities for the initiation of Phase III clinical studies in Europe. The European programme is scheduled to involve 25-30 centres in seven countries: the United Kingdom, Germany, Austria, France, Belgium, Portugal and Spain.

The European programme comprises a randomised, double-blind, placebo-controlled study of ACR16 (45 mg or 90 mg daily dosing) for the symptomatic treatment of Huntington's disease. A total of approximately 420 patients are planned to be enrolled in the study, and dosing of ACR16 will continue for six months. This study is expected to form the basis for applications for marketing authorisation of ACR16 in Europe.

The selected primary endpoint for ACR16 in the Phase III programme is motor function, measured as the change from the baseline in modified Motor Score (mMS), which is a subscale of the Unified Huntington's Disease Rating Scale (UHDRS). The mMS measures the negative motor symptoms in patients with Huntington's disease, including parkinsonism and gait. It is well established among neurologists and in the Huntington's disease community that the negative motor symptoms show a strong correlation with patients' functional decline over time.

As a part of the preparation for the Phase III programme, the data obtained in the Phase II study was re-evaluated in a post hoc analysis based on the primary endpoint that will be used in the Phase III programme. The analysis showed that in the ACR16 treatment group, which was comprised of 28 patients, the patients had lower mMS values as compared with baseline on day 14 (-2.0) and on day 28 (-2.3) ($p<0.01$ for both). No significant change as compared with baseline was detected in the placebo group. In patients displaying a baseline mMS score > 10, the mean change in mMS as compared with baseline at 4 weeks of treatment was -2.8 points in the ACR16 group compared with -0.8 points in the placebo group. The difference was statistically significant ($p<0.05$). A two point reduction in mMS is estimated to correspond to about one year of progression of this measure in the targeted study population.

Secondary endpoints in Phase III will include patients' overall improvement, effects on behaviour, symptoms of depression and anxiety, and cognitive functions as well as the safety and tolerability of ACR16.

NeuroSearch is also preparing an IND for the purpose of initiating a clinical programme in the United States on ACR16 for the treatment of Huntington's disease. The IND will include a three month study with the same endpoints as the European study. The results of this study together with the results of the European study are expected to form the basis for an application to the FDA for marketing authorisation in the United States.

Upon NeuroSearch conducting the first dosing of ACR16 (Huntington's disease) in Phase III, it is obliged under the Carlsson Research Agreement to pay the selling shareholders of Carlsson Research a milestone payment of DKK 80.0 million (SEK 100 million) and, upon the filing of the first New Drug Application or the grant of the first marketing authorisation, a milestone payment of DKK 80.0 million (SEK 100 million) will fall due. See "I.19.a. Agreement to acquire the share capital of Carlsson Research (now NeuroSearch Sweden)".

Phase II

ACR16 has been investigated in a Phase II multi-centre, randomised and placebo-controlled trial aiming to evaluate its safety and efficacy (50 mg once daily) in 58 patients with Huntington's disease. The duration of treatment was four weeks, during which patients received either placebo or ACR16.

The primary endpoint was the change in the weighted cognitive score. Secondary endpoints included other ratings for symptoms associated with Huntington's disease, including motor function. The ratings were performed after 14 and 28 days of treatment. The effects on the ratings covering the major symptoms, i.e. the symptoms triad of motor, psychiatric and cognitive symptoms, as measured after 28 days of treatment, are shown in the table below.

Table 7: ACR16 Phase II findings in Huntington's disease

Efficacy measure	**Improvement**		**Significance vs. baseline**		**Significance**
	Placebo	**ACR16**	**Placebo**	**ACR16**	**ACR vs. Placebo**
Weighted Cognitive Score (%)	10	14	p =0.043(1)	p=0.0094(1)	p=0.76
Trailmaking A (second)	1.5	5.9	p=0.42	p=0.0084(1)	p=0.38
Depression (score)	0.8	1.5	p=0.060	p=0.0022(1)	p=0.18
Anxiety (score)	1	1.9	p=0.041(1)	p=0.0050(1)	p=0.30
Motor function (%)	2	16	p=0.31	p=0.020(1)	p=0.10
Parkinsonism (%)	-0.7	18	p=0.65	p=0.01(1)	p=0.031(1)
Chorea (%)	6	11	p=0.23	p=0.16	p=0.95
Gait (score)	0.03	0.36	p=0.65	p=0.0039(1)	p=0.013(1)

Note: Shown are average improvements on each variable, expressed as change from baseline level (percentage change for composite scores, absolute change for single items). The performance on the Trailmaking A test is measured in time required to complete the test (seconds). Data refer to Intent-to-treat population (ITT), excluding data on subjects not performing the test correctly or with zero or very low baseline on the composite motor scores. Statistical significance was calculated using Wilcoxon's matched pairs test vs. baseline, and Mann-Whitney's U-test (ACR16 vs. placebo).

(1) Denotes p-values below the significance level of 0.05.

The primary endpoint, the weighted cognitive score, was not statistically significantly changed by the ACR16 treatment, compared to placebo. Both treatment groups showed a marked effect indicating a considerable placebo response. Cognitive performance, measured as the time required to complete the Trailmaking A test, did however improve significantly compared to baseline in the ACR16 group, but not in the placebo group. Furthermore, secondary endpoints indicated positive effects on motor and affective function for patients treated with ACR16, with no worsening of any of the measured parameters. Of particular interest was the observation of the coinciding trend of reduction of chorea (involuntary movements) with the statistically significant improvement of parkinsonism (lack of voluntary movement). This favourable clinical finding is believed by Management to be a unique property of ACR16.

ACR16 was well tolerated by the patients. All 58 patients completed the study. The results support the advancement of the development of ACR16 to a Phase III study in Huntington's disease, aiming at a symptomatic treatment for a significant part of the clinical syndrome associated with the neuronal degeneration in Huntington's disease.

Phase I

In an open-label Phase Ib trial incremental doses of ACR16 were given to ten patients with Huntington's disease. The primary aim was to investigate the safety and tolerability of the compound. Efficacy measures were based on the Unified Huntington's Disease Rating Scale (UHDRS) motor assessment, neuropsychological tests (Stroop test and Verbal fluency test) as well as motor rating from video recordings. The dose range during the trial was 20-100 mg once daily. None of the patients were taking any other CNS active medications during the trial. Two patients withdrew prematurely due to increased chorea. In the eight patients completing the trial ACR16 was well tolerated with only mild and transient CNS related adverse events reported (one patient complaining of slight initial sedation). All eight patients reported a global clinical improvement following ACR16 treatment. Improvements were mainly reported for the cognitive/emotional domains but also with regards to motor function in some patients. Sleep pattern improvements were frequently reported as well. Statistically significant improvements were seen on the Verbal fluency test and in two of three Stroop tests (colour naming and reading tests). The UHDRS motor score was unaltered.

A Phase I study has been performed in healthy human volunteers. ACR16 was well tolerated up to an oral dose of 120 mg with no serious adverse events or significant clinical effects on the cardiovascular system, ECG (Electrocardiogram) changes (including QTc) or on laboratory assays. The dose limiting effects reported were related to the CNS where half of the subjects experienced transient dizziness on the highest dose. A second Phase I study was performed to assess the pharmacokinetics in poor and fast metabolisers due to the CYP2D6 phenotype. The conclusion was that impaired CYP2D6 function leads to increased plasma area under the curve (AUC), but not to increased peak plasma concentration (C_{max}) in poor metabolisers.

Intellectual property rights

ACR16 is covered by patents and patent applications with composition-of-matter claims and claims to various uses including schizophrenia and movement disorders. To date, more than 40 patents have been granted, including a European patent and a US patent. Subject to regular maintenance, and absent any patent term extensions, patents will start expiring in 2020.

A family of patents and patent applications on a process for producing ACR16 was filed in 2004. Pending successful examination and subject to regular maintenance, and absent any patent term extensions, patents in this family will start expiring in 2025.

See "I.10.b. Patents and other intellectual property rights".

Obesity: tesofensine

NeuroSearch has evaluated tesofensine in a Phase IIb clinical Proof-of-Concept study in 203 patients with obesity ("TIPO-1"). Results from the study were reported on 17 September 2007, showing that 24 weeks' treatment with 0.25 mg, 0.5 mg and 1 mg tesofensine resulted in a significant and dose-dependent average weight loss of 6.5 per cent, 11.2 per cent and 12.6 per cent respectively, compared to 2.0 per cent in the placebo group. In all treatment groups, the primary endpoints were met with high statistical significance ($p < 0.0001$). Secondary endpoints were also met. Further, data from the TIPO-1 study show that tesofensine was well-tolerated with an acceptable safety profile.

The combined clinical safety database from five individual studies with tesofensine now includes approximately 1,000 patients exposed to relevant therapeutic doses. This extensive safety data together with the weight-loss results from the TIPO-1 study as well as weight-loss data from previous clinical studies support the preparation for a pivotal clinical Phase III programme in obesity with clear guidance for dosing regimes.

In addition to using tesofensine for the treatment of obesity, NeuroSearch is also evaluating the potential for using tesofensine for treating diseases related to obesity.

Mechanism of action and preclinical profile

Tesofensine is a triple monoamine re-uptake inhibitor, i.e., a drug that blocks the re-uptake of the neurotransmitters serotonin, dopamine and noradrenaline. This leads to an increase in the concentration of all three neurotransmitters in the synapse and a subsequent activation of serotonin, dopamine and noradrenaline receptors. These three transmitters are in different ways implicated in regulation of food intake, metabolism and subsequent weight control, and NeuroSearch believes that the unique triple profile of tesofensine and the balanced modulation of all three transmitter systems may explain the ability of the compound to induce a weight reduction in obese patients.

Studies in Diet Induced Obese (DIO) rats have shown that tesofensine elicits a sustained weight-loss of approximately 10 per cent. This effect compared favourably to the maximal effect observed with sibutramine (Reductil®) (approximately 8 per cent) and rimonabant (Acomplia®) (approximately 4 per cent), which were included as reference compounds in the studies. The weight reduction induced by tesofensine treatment involved a clinically relevant loss of both abdominal and subcutaneous fat stores. Furthermore, a strong reduction in blood cholesterol and triglycerides was observed after chronic treatment. Importantly, the insulin sensitivity was found to be significantly increased in the animals treated with tesofensine, suggesting a better regulation of glucose metabolism in obese and diabetic animals.

The effect of tesofensine in the DIO rats was not merely related to a reduction in appetite, but also involved actual weight reduction independent of food intake, possibly via increased thermogenesis. This may be concluded from the fact that the weight reduction in the tesofensine group was significantly higher compared to a parallel group of animals that were restricted to receive the same amount of food as eaten by the animals in the tesofensine group.

Obesity - clinical condition

Obesity is characterised by severe excess weight in the form of fat and is defined on the basis of a measure referred to as Body Mass Index (BMI). A BMI of more than 30 is referred to as clinical obesity, while a BMI of between 25 and 30 expresses excess weight.

According to the American Obesity Association, patients with obesity are at risk of developing one or more serious medical conditions, which can cause poor health and premature death. Obesity has been found to have a major influence on the prevalence of Type II diabetes and it complicates the management of Type II diabetes by increasing insulin resistance and glucose intolerance, which makes drug treatment for Type II diabetes less effective. As many as 90 per cent of individuals with Type II diabetes are reported to be overweight or obese. A weight loss of as little as 5 per cent can reduce high blood sugar. In addition, obesity increases the risk of cardiovascular disease and is a major risk factor for heart attack. Over 75 per cent of hypertension cases are reported to be directly attributed to obesity. Elevated BMI is reported to increase the risk of ischemic stroke independent of other risk factors including age and systolic blood pressure. Weight loss of five per cent to 10 per cent can reduce total blood cholesterol.

According to the World Health Organization (WHO), obesity has reached epidemic proportions globally, with up to 1.6 billion adults (over 15 years old) overweight and at least 400 million of them clinically obese. The prevalence of obesity has risen threefold in less than two decades.

The average weight losses achieved by the currently marketed anti-obesity drugs are, after deducting the effects of placebo and diet, in the range of three to five kilos achieved over 12 months of treatment. In addition, these drugs are associated with safety concerns and tolerability issues. If the results from the TIPO-1 study with tesofensine can be substantiated in the pivotal Phase III studies, Management believes that tesofensine would have a strong competitive advantage compared to existing drugs in the treatment of obesity.

Clinical development

NeuroSearch has concluded a Phase IIb Proof-of-Concept and dose finding study with tesofensine in patients with obesity (TIPO-1) with positive results. Data from the study in 203 patients shows that 24 weeks' treatment with 0.25 mg, 0.5 mg and 1 mg tesofensine resulted in a dose-dependent average weight loss of 6.5 per cent, 11.2 per cent and 12.6 per cent respectively, compared to 2.0 per cent in the placebo group. The patients' average weight at base line was approximately 100 kilos in all

four groups, and therefore the absolute weight loss in kilos was similar to the relative weight loss. In all treatment groups, the primary endpoints were met with high statistical significance.

From the beginning of the lead-in period and until the end of the follow-up period, all patients in the study followed the same reduced-calorie diet and the same exercise programme. Forty-two patients discontinued the study, corresponding to 21 per cent against an expected 33 per cent. The highest numbers of patients discontinuing the study were observed in the placebo group and in the highest dose group.

Tabel 8: Results of the Phase IIb study with tesofensine in obesity (TIPO-1)

	Placebo	Tesofensine 0.25 mg	Tesofensine 0.5 mg	Tesofensine 1.0 mg
ITT population[(1)]	52	52	50	49
Mean weight at base line (kilos)	103.2	101.7	100.1	101.3
Average relative weight loss (%)	**2.0**	**6.5[(2)]**	**11.2[(2)]**	**12.6[(2)]**
Average absolute weight loss (kilos)	**2.2**	**6.7[(2)]**	**11.3[(2)]**	**12.8[(2)]**

(1) All patients enrolled in the study (ITT = Intention to treat)

(2) Statistically significantly different from placebo ($p < 0.0001$)

Figure 1: Results from the Phase IIb study with tesofensine in patients with obesity (TIPO-1)

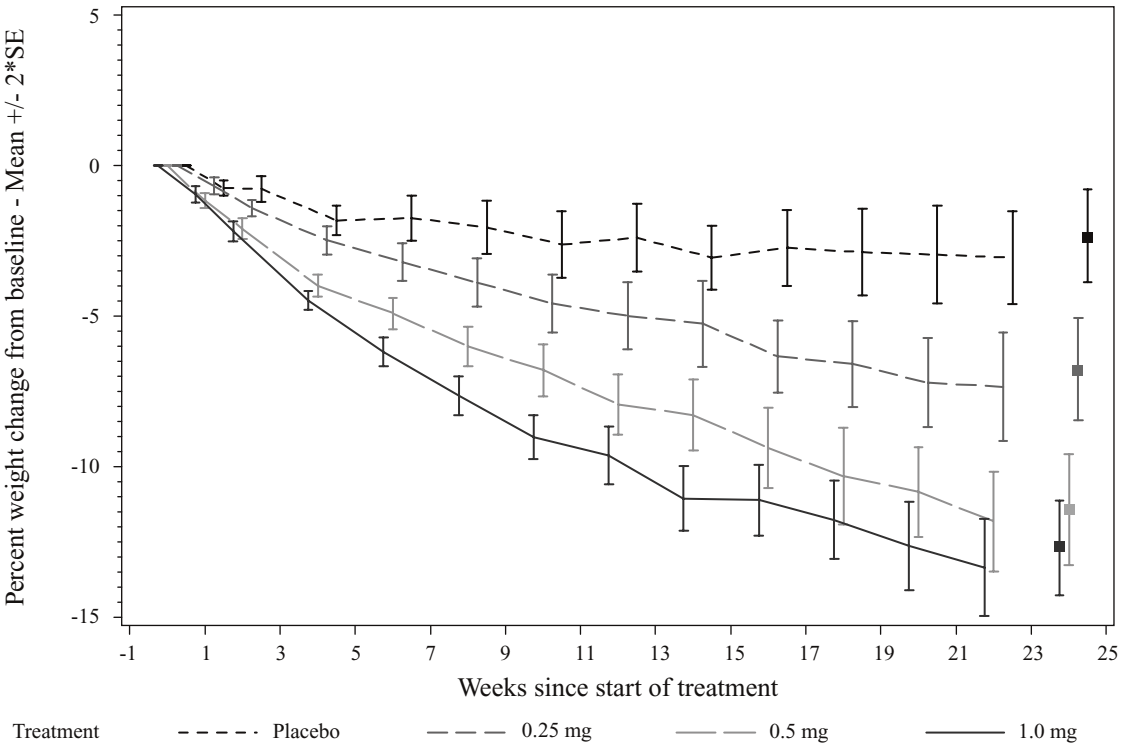


Figure 1 shows the weight change from baseline in percentage for patients in the TIPO-1 study. The patients were followed for 24 weeks. In the figure, the weight change from weeks 1 to 22 is shown (data points are based on the number of patients actually in the study at the given time). The weight change after 24 weeks is based on a "last observation carried forward" statistical calculation (which also includes data from patients who have withdrawn from the study at an earlier point in time).

In addition to the primary endpoints discussed above, a number of secondary endpoints were measured, including:

- relative change (reduction) in BMI (Body Mass Index),
- reduction in waist circumference, an indicator of intra-abdominal fat, and
- feelings of satiety and appetite (i.e. how hungry did the patients feel and how much did the patients think they could eat).

The results showed a positive dose-dependent effect of tesofensine:

- In the two highest dose groups (0.5 mg and 1.0 mg), the patients experienced an average reduction in BMI of approximately 4. In the lowest dose group, the average reduction in BMI was approximately 2, and in the placebo group an average BMI reduction of approximately 1 was seen.
- The reduction in patients' waist circumference was 9.8 cm and 9.7 cm in the two highest dose groups respectively. In the lowest dose group, patients saw an average reduction in waist circumference of 6 cm, compared to a reduction in waist circumference of 2.7 cm in the placebo group.
- The results from the study showed a dose-dependent decrease in the patients' feelings of hunger and in how much they thought they could eat.

The results from the TIPO-1 study also showed that tesofensine has a good safety profile and is well tolerated. There were no severe adverse events related to treatment with tesofesine. The most frequently reported adverse events were mild to moderate, and included dry mouth, sleep disturbances, nausea, constipation and diarrhoea. In line with tesofensine's pharmacological profile, there was a tendency towards an increased number of adverse event observations in the highest dose groups (0.5 mg and 1 mg).

A similar pattern was observed when measuring cardiovascular effects, with slight increases in heart rate and blood pressure. The increase observed in systolic blood pressure from base line to week 24 was 0.7, 1.6 and 7.0 mmHg for 0.25 mg, 0.5 mg and 1 mg, respectively, while the average increase in the placebo group was 0.7 mmHg. The diastolic blood pressure increased by 1.7, 2.5 and 5.7 mmHg in the three dose groups respectively, compared to 0.4 mmHg in the placebo group. Finally, the average heart rate was decreased by 0.8 beat per minute in the placebo group after 24 weeks, compared to an increase of 3.9, 7.7 and 8.4 beats per minute for 0.25 mg, 0.5 mg and 1 mg tesofensine respectively. None of the subjects in the study experienced a change in pulse rate or blood pressure that qualified as possibly clinically significant abnormal changed from baseline, as defined by the FDA (Neuropharmacology Guidelines, Food and Drug Administration of the United States).

The placebo adjusted weight loss of approximately 10 per cent seen in both of the two highest dose groups (0.5 mg and 1 mg) is superior to the efficacy of any marketed drug for obesity management. Management believes that the strong effect observed in patients after treatment with tesofensine combined with generally good tolerance and safety data would constitute a promising therapeutic window for this drug candidate.

NeuroSearch is also conducting a human metabolic study with tesofensine ("TIPO-2"), to evaluate the drug candidate's direct effect on metabolic parameters such as insulin, glucose and cholesterol levels. The TIPO-2 study was initiated in November 2006 with planned enrolment of a total of 32 subjects.

Further, in June 2007 NeuroSearch initiated an open-label Phase II extension study, TIPO-4, with tesofensine, offering all patients having concluded 24 weeks' treatment in TIPO-1 with tesofensine or placebo another 24 weeks' treatment. In TIPO-4, the dosing of tesofensine is 0.5 mg daily for all patients with the possibility to increase to 1 mg daily. The aim of TIPO-4 is to evaluate further tesofensine's safety profile and tolerability as well as to generate data on maintenance of effect (weight reduction) after 12 months. The patients in TIPO-4 will follow the same diet and exercise programme as in TIPO-1. To date, almost 90 per cent of the patients having completed TIPO-1 have chosen to continue tesofensine treatment in TIPO-4. Results from TIPO-4 are expected in the first half of 2008.

Prior to initiation of the TIPO-studies, tesofensine was evaluated in a Phase II programme in Alzheimer's and Parkinson's disease. In these studies, tesofensine was administered in daily dose of 0.125 mg, 0.25 mg, 0.5 mg or 1 mg over 14 weeks. Tesofensine did not meet the primary endpoints in these studies, but a meta-analysis based on data from 968 Alzheimer's and Parkinson's patients enrolled in these studies showed a dose-dependent and statistically significant weight loss. 181 of these patients were clinically obese (BMI $\geq$ 30).

The combined clinical safety data base from the five individual studies completed with tesofensine, now counts approximately 1,000 patients exposed to relevant doses. Management believes that this safety package together with the strong weight loss results from the TIPO-1 study as well as weight loss data from previous clinical studies with the compound, support the preparation for a pivotal Phase III programme with tesofensine for the treatment of obesity.

NeuroSearch has initiated planning of the Phase III programme, which will most likely comprise several parallel studies in order to obtain marketing approval. As obesity and other related metabolic diseases such as Type II diabetes, are non-specialist indications, commercialisation of tesofensine will need considerable sales and marketing efforts on a global scale. Therefore, NeuroSearch will seek a partner to commercialise the product, and NeuroSearch will seek to out-license the programme at the best possible time and at the best possible conditions.

Intellectual property rights
Tesofensine is covered by patents granted in the United States, Europe, Japan and many other countries with composition-of-matter claims and claims to various uses, including obesity. Subject to regular maintenance, and absent any patent term extensions, patents will start expiring in 2017.

Patent applications covering additional uses of tesofensine, including the use of tesofensine for obtaining a sustained weight loss, have been filed. Pending successful examination and subject to regular maintenance, and absent any patent term extensions, patents will start expiring in 2025.

See "I.10.b. Patents and other intellectual property rights". See also "I.19.b. Significant collaborative and license agreements" for a description of the termination agreement with Boehringer Ingelheim which defines intellectual property rights with respect to tesofensine.

Depression: NS2359 (GSK372475)
NS2359 is licensed out to GSK as part of the GSK Agreement. GSK has the worldwide rights to develop and market NS2359, and is currently conducting a Phase II programme with the drug candidate in major depressive disorder (MDD). The programme consists of two placebo-controlled Phase II studies. One compares NS2359 with paroxetine (Paxil®) and the second study compares it with venlafaxine (EffexorXR®), both of which are marketed antidepressants. The treatment period is ten weeks, and the two studies are expected to include a total of approximately 900 patients.

Mechanism of action and preclinical profile
NS2359 is a triple monoamine reuptake inhibitor which enhances the effect of the monoamine neurotransmitters serotonin, noradrenaline and dopamine, a mechanism which is known as "triple mode of action". Once antidepressants with a triple mode of action are introduced to the market, they will constitute a new class of drugs. Various independently published clinical studies suggest that drugs affecting several of the important neurotransmitters in the brain may have a superior therapeutic effect and a faster onset of action and fewer side effects compared to antidepressants commercially available today. Management believes that NS2359 is currently the most advanced triple monoamine reuptake inhibitor under development for depression.

Depression - clinical condition
Depression is a severe psychiatric disorder. It is characterised by a wide range of symptoms that cause significant impairment in daily functioning, such as persistent despondence, loss of interest or pleasure, feelings of guilt or low self-esteem, disturbed sleep and appetite, low energy, and poor concentration. These problems can become recurrent and chronic and cause damage to the brain's cognitive centre, leading to extended attention deficits.

Depression is thought to be associated with the disruption and imbalance in the brain of the neurotransmitters dopamine, noradrenaline and serotonin. Medications currently used to treat depression, such as selective serotonin reuptake inhibitors, or SSRIs, such as Prozac® (fluoxetine) and Paxil® (paroxetine), dual reuptake inhibitors such as Effexor® (venlafaxine) and Wellbutrin® (bupropion), and the tricyclics, are designed to increase the functions of one or two of those neurotransmitters.

However, despite the availability of many antidepressants, there is still a considerable unmet need due to low remission rates, relapse, delayed efficacy of three to six weeks on average and side effects.

According to the World Health Organization, depression affects 121 million people worldwide. According to IMS Health, in 2006, worldwide sales of antidepressants totalled EUR 16,400 million. See "I.5.f. Key markets" for further information.

Clinical development

Phase II

Under the terms of the GSK Agreement, GSK has the worldwide rights to develop and market NS2359, and GSK is conducting a Phase II programme with the drug candidate in major depressive disorder (MDD). The programme consists of two Phase II studies, in total involving approximately 900 patients. The first Phase II study started enrolling patients suffering from MDD in late 2006 in a randomised, double-blinded parallel study, in which, during a ten-week treatment period, NS2359 is compared with placebo and paroxetine (Paxil®), an SSRI marketed by GSK. The second Phase II study was initiated in mid-April 2007, and in this study, during a ten-week treatment period, NS2359 is compared with placebo and venlafaxine (EffexorXR®), an SNRI (serotonin, noradrenaline reuptake inhibitor) which is also on the market to treat depression.

Phase I

In a Phase I study NS2359 was well tolerated and produced a good monoamine reuptake inhibiting effect in brain regions relevant for the treatment for depression. Further, it has been shown that NS2359 has properties of improving the cognitive functions. The safety and kinetic profile of NS2359 has been documented in a total of 332 healthy volunteers and patients.

Intellectual property rights

NS2359 is covered by patents granted in the United States, Europe, Japan and many other countries with composition-of-matter claims and claims to various uses, including depression and ADHD. Subject to regular maintenance, and absent any patent term extensions, patents will start expiring in 2017.

Patent applications directed to specific salt forms of NS2359 have been filed. A European patent has issued, and applications are pending in a number of European countries, the United States and Japan. Subject to regular maintenance, and absent any patent term extensions, the patents will start expiring in 2024. NeuroSearch has out-licensed the rights to NS2359 to GSK under the GSK Agreement. See "I.19.b. Significant collobarative and license agreements".

See "I.10.b. Patents and other intellectual property rights".

ADHD (Attention Deficit Hyperactivity Disorder): ABT-894

ABT-894 is being developed by Abbott under the licence agreement with NeuroSearch. Abbott has evaluated ABT-894 in several Phase I studies and is currently conducting a Phase II study in adults suffering from Attention Deficit Hyperactivity Disorder (ADHD). Patient enrolment has been concluded and the study is ongoing.

Mechanism of action and preclinical profile

ABT-894 is an agonist of the $\alpha_4\beta_2$ subtype of neuronal nicotinic acetylcholine receptors (NNR). NNRs are located in the CNS, where they are involved in the modulation of neurotransmitter release. Preclinical and clinical data support the proposition that NNRs play a role in a variety of neurological/psychiatric disorders. ABT-894 is formulated for peroral treatment.

ADHD – clinical condition

ADHD is a syndrome generally characterised by the following symptoms that typically first occur before the age of seven: inattention, distractibility, hyperactivity and impulsivity. Some experts categorise ADHD into three subtypes: behaviour that is generally marked by hyperactivity and impulsivity, but not inattentiveness; behaviour that is marked by inattentiveness, but not hyperactivity and impulsivity; and a combination of inattentiveness, hyperactivity and impulsivity. Although ADHD is diagnosed mainly in children, many adolescents and adults also suffer from the disease. The symptoms often persist throughout the teenage and adult years.

Substantial unmet needs exist in the treatment of ADHD, both in children and adults, as the existing ADHD drugs do not sufficiently address a number of the disease symptoms, including serious inattentiveness and lack of concentration. Also, many of the pharmaceutical alternatives used today for ADHD are associated with a risk of abuse and of developing addiction.

Clinical development

Phase II

In April 2007, Abbott initiated a Phase II study with ABT-894 in adults suffering from ADHD. The ADHD Phase II study is a randomised, double-blind and placebo-controlled study evaluating the efficacy and tolerability of ABT-894 in adults with ADHD. In August 2007, patient enrolment was concluded and the ADHD study is ongoing.

Phase I

Abbott has evaluated ABT-894 in several Phase I single and multiple dose studies with satisfactory results.

Intellectual property rights

The patents and patent applications relating to this compound are owned by Abbott.

Abbott is responsible for and is funding the clinical development and commercialisation of ABT-894. NeuroSearch is entitled to milestones and royalties on future sales.

Neuropathic pain: ABT-894

In September 2007, Abbott initiated a second Phase II study with ABT-894 in patients suffering from diabetic neuropathic pain. The first patients have been dosed.

Mechanism of action and preclinical profile

ABT-894 is an agonist of the $\alpha_4\beta_2$ subtype of neuronal nicotinic acetylcholine receptors (NNR). NNRs are located in the CNS, where they are involved in the modulation of neurotransmitter release. Preclinical and clinical data support the proposition that NNRs play a role in a variety of neurological/psychiatric disorders. ABT-894 is formulated for peroral treatment.

Neuropathic pain – clinical condition

Pain occurs when nerve endings known as nociceptors are activated and a pain signal is transmitted through the nervous system to the brain. With neuropathic pain, the pain signal results from inflammation of the peripheral nerves or other injury to the nervous system itself. The pain can either be acute or chronic. A common form of neuropathic pain is sciatica, which is characterised by compression of the sciatic nerve resulting in leg and back pain. Neuropathic pain also arises from diabetes, herpes, cancer and exposure to chemotherapy and radiation. According to a 2005 Datamonitor research report, existing treatments only provide a maximum of 50 per cent neuropathic pain reduction.

Chronic pain is most often treated with a class of drugs known as non-steroidal anti-inflammatory drugs. These drugs are often not sufficiently effective against neuropathic pain.

Clinical development

Phase II

In September 2007, Abbott initiated a Phase II study to evaluate ABT-894 as a potential new treatment for neuropathic pain. The Phase II study is a randomised, double-blind, placebo-controlled study to evaluate the efficacy and safety of ABT-894 compared with duloxetine. The study is expected to enrol up to 275 patients with diabetic neuropathic pain.

Phase I

See "I.5.c. Clinical drug programmes" – ADHD: ABT-894 – Clinical development – Phase I.

Intellectual property rights

See "I.5.c. Clinical drug programmes" – ADHD: ABT-894 – Intellectual property rights.

ADHD (Attention Deficit Hyperactivity Disorder): NS2359

GSK holds the rights to NS2359 for all indications including ADHD, which may be pursued after conclusion of the ongoing studies in depression (see "I.5.c. Clinical drug programmes" – Depression: NS2359).

Mechanism of action and preclinical profile

See "I.5.c. Clinical drug programmes" – Depression: NS2359 (GSK372475) – Mechanism of Action.

ADHD – clinical condition

See "I.5.c. Clinical drug programmes" – ADHD: ABT-894 – ADHD - Clinical condition.

Clinical development

In 2004, NeuroSearch completed a single-dose Phase II study of NS2359. The compound produced a significant improvement in concentration, attention and memory, but at the dose studied it did not meet the primary efficacy endpoints, which were based on the ADHD symptom score.

Intellectual property rights

See "I.5.c. Clinical drug programmes" – Depression: NS2359 (GSK372475) – Intellectual property rights and "I.10.b. Patents and other intellectual property rights".

Status epilepticus/pain: NS1209

NeuroSearch has investigated the drug candidate NS1209 in two small Phase IIa clinical studies in status epilepticus (severe and prolonged epileptic seizures) as well as in a small Phase I/II study in neuropathic pain. Based on the combined results of these clinical studies, NeuroSearch has decided to seek a partner with supplementary specialist competences for the continued development of NS1209.

Mechanism of action and preclinical profile

Glutamate is the principal stimulating neurotransmitter in the brain, and scientific evidence has shown that imbalance in the glutamate system is a key factor in a range of neurodegenerative diseases such as stroke, status epilepticus and neuropathic pain. NS1209 is a selective AMPA antagonist, i.e., a compound that inhibits the subtype of glutamate receptors called AMPA receptors. NS1209 has demonstrated beneficial effects in preclinical epilepsy models, and the compound has also demonstrated efficacy in alleviating pain behaviours in preclinical models of persistent and neuropathic pain.

Status Epilepticus – clinical condition

Status epilepticus is usually defined as continuous epileptic seizure activity lasting a minimum of 30 minutes or as two or more consecutive discrete seizures between which consciousness is not regained. Status epilepticus is a major pathological emergency associated with a high mortality rate, especially in elderly patients with refractory status epilepticus. There are between 350,000 to 400,000 cases of status epilepticus per year in the United States, Japan, United Kingdom, France, Germany, Italy and Spain. Approximately 30 per cent of these patients do not respond to existing therapies with benzodiazepines such as diazepam and lorazepam.

Neuropathic pain – clinical condition

See "I.5.c. Clinical drug programmes" – Neuropathic pain: ABT-894 – Neuropathic pain – Clinical condition.

Clinical development

Phase I studies carried out with more than 70 healthy volunteers and epilepsy patients showed that NS1209 is well tolerated.

NeuroSearch has performed two Phase II studies in status epilepticus and a Phase I/II study in neuropathic pain. For the epilepsy study, results were inconclusive due to the modest size of the ultimate study population and excessive variations in the individual patients' base lines.

In the neuropathic pain study, which included 16 patients, data showed that the patients' overall pain was significantly decreased, while the primary endpoint 'change of spontaneous ongoing pain' (defined as a 33 per cent reduction of the pain on a Visual Analogue Scale) did not show statistical significance. Further, NS1209 also showed statistically significant effect compared to placebo on two of the most common symptoms among patients with neuropathic pain. NS1209 demonstrated a good safety profile and was well tolerated in this patient population.

Intellectual property rights
NS1209 is covered by patents and patent applications with composition-of-matter claims. Patents have been granted, including in the United States and in certain European countries. Subject to regular maintenance, and absent any patent term extensions, patents with composition-of-matter claims on NS1209 will start expiring in 2017.

Additional patent applications for three different families covering methods of production for NS1209, for obtaining enantiopure forms of NS1209, and for improving the blood-brain-barrier penetration of NS1209 have been filed. Pending successful examination and subject to regular maintenance, and absent any patent term extensions, patents will start expiring in 2019, 2023 and 2027, respectively.

See "I.10.b. Patents and other intellectual property rights".

Schizophrenia: ACR16
ACR16 is being evaluated in a Phase Ib study by NeuroSearch's partner Astellas, which has the right to develop and market the drug candidate for the treatment of schizophrenia and all other indications, with the exception of Huntington's disease in the European Union, Norway, Switzerland, the United States and Canada. See the description of the Astellas agreement in "I.19.b. Significant collaborative and license agreements".

Upon Astellas conducting the first dosage in a Phase II study with ACR16 (schizophrenia), NeuroSearch is obliged under the Carlsson Research Agreement to pay the selling shareholders of Carlsson Research a milestone payment of SEK 125 million (DKK 100.0 million). See "I.19.a. Agreement to acquire the share capital of Carlsson Research (now NeuroSearch Sweden)".

Mechanism of action and preclinical profile
ACR16 is a dopaminergic stabiliser, representing a novel principle in the treatment of schizophrenia and has been shown to be effective in experimental preclinical models of the disease, while leaving the behaviour of normal animals largely unaffected.

The mechanism of action of ACR16 is low affinity dopamine D2 antagonism and glutamate enhancement. In more detail, ACR16 provides a dual modification of dopaminergic neurotransmission. Firstly, antagonism of dopamine receptors is observed, especially in the subcortical regions. Secondly, dopamine transmission is strengthened, preferentially in the cortex. The enhancement of cortical dopamine transmission is likely to mediate procognitive effects, regarded as a major challenge in the treatment of schizophrenia. Also, enhanced cortical dopamine, noradrenaline and glutamate transmission may exert antidepressant effects. The lack of inhibitory effects on normal locomotor activity is an essential feature of ACR16, implicating that normal functions depending on dopamine transmission such as locomotion, motivation and reward, are expected to be unimpaired by ACR16, thus constituting a major potential advantage over existing antipsychotic therapies.

Schizophrenia – clinical condition
Schizophrenia is a severe chronic mental illness with a considerable impact on the patients' quality of life. Schizophrenia is found all over the world, and it is estimated to afflict approximately one per cent of the population at some point in their lives (the US National Institute of Mental Health).

Symptoms include disturbances in cognition, recognition, affects and perceptions. Psychosis, a state of mental impairment marked by hallucinations and/or delusions is a common condition in schizophrenia. Less obvious symptoms, such as social isolation or withdrawal, or unusual speech, thinking, or behaviour, may precede, be seen along with, or follow the psychotic

symptoms. Some people have only one such psychotic episode; others have many episodes during a lifetime, but lead relatively normal lives during the interim periods. However, the individual with "chronic" schizophrenia, or a continuous or recurring pattern of illness, often does not fully recover normal functioning and typically requires long-term treatment, generally including medication, to control the symptoms.

Dopamine is the neurotransmitter most often associated with the pathophysiology of schizophrenia. The evidence that antipsychotic drugs work at least in large part because they block dopamine receptors does not necessarily mean that people with schizophrenia have abnormal dopamine transmission. However, other observations also suggest there is an abnormality in the dopamine system. Dopamine agonists such as amphetamines and methylphenidate worsen the psychotic symptoms of schizophrenia, and some studies of dopamine function in patients (using such methods as PET) have also revealed an abnormality in dopamine transmission.

Clinical development
NeuroSearch has conducted a Phase Ib tolerability study in patients with advanced schizophrenia. The study was a randomised placebo-controlled, double-blind trial where ACR16 or placebo was given to 18 patients with schizophrenia for three weeks. In ACR16 treated patients positive and negative symptom scale (PANSS) ratings decreased as compared to baseline two and three weeks after treatment initiation. Overall, ACR16 was well tolerated with mild and transient CNS related adverse events, confirming the earlier findings. In an additional Phase Ib tolerability study performed in advanced Parkinson's patients, adjunct ACR16 treatment was found to be well tolerated. Patient self-assessment scorings revealed a marked reduction in levodopa-induced involuntary movements without compromising the underlying ability to move. The general clinical impression was also that ACR16 induced stabilisation of emotional state as well as disrupted sleep patterns in many of the patients.

In April 2007, Astellas initiated a multiple-dose study with ACR16 in the United States under the licence and collaboration agreement between NeuroSearch Sweden and Astellas. In June 2007, a six months' toxicology study with ACR16 was completed with satisfactory results which support data from earlier safety studies.

Intellectual property rights
See "I.5.c. Clinical drug programmes" – Huntington's disease: ACR16 – Intellectual property rights.

Parkinson's disease and bipolar disorder: ACR325
ACR325 was selected for clinical development in 2005. A Phase I single-dose study has been concluded and another Phase I study to examine the effects of higher doses and a PET study to investigate the compound's neuro-chemical effects are ongoing. The aim is to develop the compound for the treatment of Parkinson's disease and bipolar disorder.

Upon NeuroSearch conducting the first dosage in a Phase II study with ACR325, NeuroSearch is obliged under the Carlsson Research Agreement to pay the selling shareholders of Carlsson Research a milestone payment of SEK 100 million (DKK 80.0 million). Moreover, in the event a collaborative agreement on ACR325 is entered into, 50 per cent of any up-front payment is to be made to the selling shareholders of Carlsson Research. See "I.19.a. Agreement to acquire the share capital of Carlsson Research (now NeuroSearch Sweden)".

Mechanism of action and preclinical profile
ACR325 is a dopaminergic stabiliser, exerting potent effects on brain monoaminergic systems, as manifested, for example, by increased extracellular levels of dopamine and noradrenaline, in particular in the frontal cortex. ACR325 displays antipsychotic-like effects in behavioural models. Yet, ACR325 does not suppress locomotor activity in normal, un-pretreated rats, even at very high doses.

Parkinson's disease
After Alzheimer's disease, Parkinson's disease is the most common neurodegenerative disorder. There is currently no cure for the disease and no explanation why people develop the disease. The disease is both chronic and progressive.

Parkinson's disease is a motor system disorder caused by a degeneration of nerve cells that use dopamine as a chemical messenger. Dopamine transports signals to the parts of the brain that control bodily movement and coordination. Loss of dopamine results in loss of normal nerve cell activity, leaving patients unable to control their movement in a normal manner.

The primary symptoms of Parkinson's disease are tremors in hands, arms, legs and head; muscle rigidity that leaves the body immovable and the face expressionless; slowness of movement; and impaired balance and coordination. Secondary symptoms include speech changes and dementia.

Current pharmacotherapies for Parkinson's disease aim to alleviate the symptoms of the condition by restoring the dopaminergic function in the brain. Parkinson's disease is a mature and crowded market with numerous drug classes. Levodopa is highly effective in treating Parkinson's disease patients and is the current gold standard treatment. However, it has many side effects, especially with long-term use, like fluctuations in symptoms control and induction of dyskinesias (involuntary movements), and the use of levodopa is therefore often reserved for treating advanced-stage Parkinson's disease.

Bipolar disorder
Bipolar disorder is marked by a high likelihood of recurrences of severe depression and manic excitement, often with psychotic features. There is a need for a safe and tolerable drug with both antimanic and antidepressant properties. The mainstay of bipolar disorder treatment has been the use of mood stabilisers including lithium and valproate, with antipsychotics and antidepressants incorporated into the treatment regimes during episodes of mania and depression, respectively. However, atypical antipsychotics are increasingly used for the treatment of both acute mania and mood stabilisation.

One of the major clinical challenges in the treatment of bipolar disorder is to improve long-term outcome through the use of maintenance therapy in order to reduce the numbers of relapses in depressive and manic episodes. Current mood stabilising therapies have limited efficacy and are compromised by adverse long-term side effect profiles and toxicities.

Clinical development
The key results from the first-in-man clinical study (healthy male volunteers) of ACR325 are encouraging. Data from the study shows that the compound has a 4-5 hours plasma half-life, good tolerability, that there were no serious adverse events related to treatment with ACR325 and no clinically significant effects on pulse rate and blood pressure.

A Phase I single-dose study has been concluded, showing good tolerance of ACR325 for doses up to 75 mg. A Phase I study exploring the pharmacokinetics and the tolerability of ACR325 at higher doses was started in June 2007. Also, a PET study exploring binding of ACR325 to dopamine receptors was initiated at Stockholm Brain Institute in June 2007. A new Phase I study evaluating ACR325's tolerance and pharmacokinetics after higher single doses was also initiated in August 2007.

Intellectual property rights
ACR325 is covered by patents and patent applications with generic composition-of-matter claims and claims to various uses, including schizophrenia and movement disorders. Applications have been filed in 25 separate countries/regions, and patents have issued in certain countries. Subject to regular maintenance, and absent any patent term extensions, patents will start expiring in 2020.

Subsequent to the acquisition of Carlsson Research (now NeuroSearch Sweden), it was discovered that certain references (i.e., prior art) had not been disclosed to the United States Patent and Trademark Office (USPTO) in the prosecution of the application that issued as the US patent pertaining to the generic composition-of-matter claims relating to ACR325 and ACR343, and NeuroSearch therefore filed a reissue application to include the references and to amend the claims. The Company believes that the re-issue application should issue after a processing period of 2-3 years; however, there can be no assurance that the reissue application will be deemed patentable by the USPTO and thus be allowed to issue, or that the processing period will not be longer (see "Risk Factors - risks relating to intellectual property rights").

ACR325 is also covered by a family of patent applications filed in 2004 that include specific composition-of-matter claims and claims to various uses. Applications have been filed in 18 countries/regions, including the United States, but no patents have yet issued. Pending succesful examination and subject to regular maintenance, and absent any patent term extensions, patents will start expiring in 2025.

Since 2004, NeuroSearch has filed patent applications covering a process for producing ACR325 in ten countries/regions, but no patents have yet issued. Pending successful examination and subject to regular maintenance, and absent any patent term extension, patents will start expiring in 2025.

See "I.10.b. Patents and other intellectual property rights".

Cognitive dysfunctions: ABT-107

ABT-107 is developed by Abbott, NeuroSearch's licence partner, for the potential treatment of cognitive dysfunctions related to ADHD, schizophrenia and Alzheimer's disease. Abbott dosed the first subjects in a Phase I study in April 2007.

Mechanism of action and preclinical profile

ABT-107 is a subtype specific neuronal nicotinic receptor (NNR) modulator. The compound has demonstrated positive effects in preclinical models of cognitive dysfunction.

Cognitive dysfunctions – clinical condition

Cognitive dysfunctions include conditions ranging in seriousness from the relatively benign mild cognitive impairment (MCI) to dementia, which can be extremely debilitating. Symptoms of cognitive dysfunctions are impairment in thinking, reasoning, concentration, memory and slower language fluency. Cognitive dysfunction is not an indication in itself but the term for a variety of symptoms, manifesting themselves in a range of different indications like dementia, schizophrenia, multiple sclerosis, Huntington's disease, Attention Deficit Hyperactivity Disorder (ADHD) and bipolar disorder.

Alzheimer's disease is a neurodegenerative disease and the major cause of dementia. Alzheimer's disease afflicts approximately six million people in the United States, Japan, United Kingdom, France, Germany, Italy and Spain, and all Alzheimer's disease patients suffer from cognitive dysfunction. The first symptoms are failing memory, change of personality and confusion. Later on, Alzheimer's disease patients lose their ability to perform ordinary everyday activities, disorientation, delusion and language problems set in. At some point, patients also lose the ability to recognise their loved ones. Currently, there is no cure for Alzheimer's disease, but both medical and other treatments may help alleviate cognitive and behavioural symptoms.

Studies of brain tissue from persons who suffered from the disease for a number of years show cell degeneration in two brain regions, the hippocampus and prefrontal cortex, both of which contain important memory centres. These centres are mainly controlled by dopamine, noradrenaline and acetylcholine, all of them being chemical substances that transfer nerve impulses from one nerve to another.

Clinical development

Abbott is responsible for the clinical development and commercialisation of ABT-107 and will under the terms of the agreement finance all development costs and pay milestones and royalties to NeuroSearch, subject to successful development of the compound.

See "I.19.b. Significant collaborative and license agreements" – Research and licence agreement with Abbott.

Intellectual property rights

The patents and patent applications relating to ABT-107 are owned by Abbott.

Cognitive dysfunctions: ABT-560
ABT-560 is developed by Abbott, NeuroSearch's license partner, for the potential treatment of a variety of CNS disorders, including cognitive dysfunctions. Abbott initiated a Phase I study with ABT-560 in July 2007.

Mechanism of action
ABT-560 is a neuronal nicotinic receptor (NNR) modulator.

Cognitive dysfunctions – clinical condition
See "I.5.c. Clinical drug programmes" – Cognitive dysfunctions: ABT-107 – Cognitive dysfunctions – Clinical condition.

Clinical development
In July 2007, Abbott enrolled and dosed the first patients in a Phase I study with ABT-560.

Abbott is responsible for the clinical development and commercialisation of ABT-560 and will under the terms of the agreement finance all development costs and pay milestones and royalties to NeuroSearch.

Intellectual property rights
The patents and patent applications relating to ABT-560 are owned by Abbott.

5.d. Preclinical development programmes

NeuroSearch currently has nine drug candidates in preclinical development where it, either alone or in collaboration with its partners, have initiated preparations for GMP-production and GLP-based toxicology studies with a view to commencing Phase I studies. GSK holds options under the GSK Agreement for six of the nine candidates. See "I.19.b. Significant collaborative and license agreements". For a discussion of intellectual property rights regarding the preclinical development programmes, see "I.10.b. Patents and other intellectual property rights".

ACR343
ACR343 is a dopaminergic stabiliser being developed for the prevention and treatment of motor and non-motor complications associated with levodopa treatment of Parkinson's disease. The preclinical profile of the compound suggests that it is able to stabilise psychomotor function caused by a variety of drug-induced perturbations without compromising underlying voluntary movement.

See "I.10.b. Patents and other intellectual property rights".

NSD-644
NSD-644 is a novel triple monoamine reuptake inhibitor with a potential for treatment of a range of CNS diseases. For example, NSD-644 has shown pain relieving effects in preclinical models for long-term neuropathic pain, indicating the compound's potential in the treatment of chronic pain conditions. The compound has also demonstrated a pain-relieving effect following acute dosing as a minimum comparable with a marketed dual monoamine re-uptake inhibitor generally used in clinical pain therapy.

NSD-644 was the first compound to be accepted by GSK under the GSK Agreement after it was amended. This means that while NeuroSearch is responsible for development of the drug through Proof-of-Concept (typically completion of Phase IIa), GSK will pay milestones to NeuroSearch as development progresses.

For further information on the GSK Agreement, see "I.19.b. Significant collaborative and license agreements".

NSD-708
NSD-708 is a potent and selective modulator of $GABA_A$ receptors containing α3 proteins with little effect on receptors containing α1 proteins. The preclinical profile predicts that NSD-708 could have anxiety-reducing effects similar to those of benzodiazepines (such as Valium®) but without producing certain of the adverse effects characteristic of these drugs.

NeuroSearch selected NSD-708 for development at the end of 2006 and is planning to develop this compound as a new treatment for anxiety. GSK holds an option for NSD-708 within the framework of the GSK Agreement.

NSD-788
NSD-788 has a unique relative effect on the monoamine re-uptake systems with primary effect on serotonin and dopamine. This dual mode of action predicts advantages over existing drugs for the treatment of anxiety, and NSD-788 has shown promising effects in preclinical anxiety models. This compound was also selected for development at the end of 2006 and GSK holds an option for NSD-788 within the framework of the GSK Agreement.

NSD-683
NSD-683 is a nicotine receptor modulator selected for development by Abbott at the end of 2006, and Abbott has the compound in preclinical development. For more information on the agreement with Abbott, see "I.19.b. Significant collaborative and license agreements".

NSD-503
NSD-503 is a specific ion channels blocker which has shown promising effects in preclinical models for Chronic Obstructive Pulmonary Disease (COPD). NSD-503 can be formulated solely for administration via inhalation. In 2007, NeuroSearch discovered a compound from the same pool of ion channel blockers which has the potential of peroral formulation. This back-up compound is currently being evaluated in preclinical efficacy models in order to select the optimal candidate for further development.

NSD-726
NSD-726 is a potent and selective ion channel modulator which has shown promising effects in preclinical models for specific autoimmune diseases. GSK holds an option for NSD-726 within the framework of the GSK Agreement.

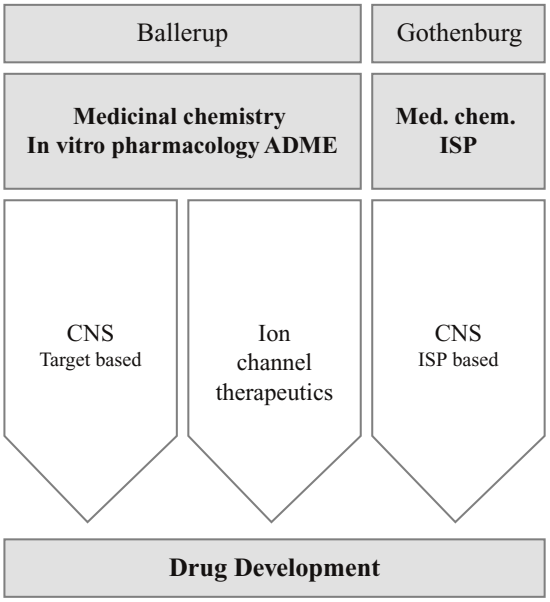
NSD-721
NeuroSearch selected NSD-721 for development in July 2007, and like NSD-708, this drug candidate is a selective modulator of $GABA_A$ receptors containing α3 proteins with little effect on receptors containing α1 proteins. However, NSD-721 has a different profile than NSD-708 in preclinical efficacy models. GSK holds an option for NSD-721 within the framework of the GSK Agreement.

NSD-761
NSD-761 is a selective ion channel modulator, selected for development in August 2007. The compound has demonstrated promising effects in preclinical models of cognitive dysfunction. GSK holds an option for NSD-761 within the framework of the GSK Agreement.

5.e. NeuroSearch's drug discovery platform

NeuroSearch's drug discovery comprises two complementary divisions; the target-based division, which consists of two functions, focussed on CNS and non-CNS indications respectively and based in Ballerup, Denmark; and the ISP-based division based in Gothenburg, Sweden. All the functions aim at progressing drug candidates to the level of drug development, defined as the corporate decision to initiate GMP synthesis.

Figure 2: NeuroSearch's drug discovery platform



Drug discovery in Ballerup – Target-based

NeuroSearch has built up a complete drug discovery organisation, covering all essential disciplines from synthesis of new drug candidates, through molecular and cellular characterisation, to broad in vivo evaluation of the drug candidates in predictive animal disease models (see "I.6. Organisational structure"). The research division in Ballerup, Denmark focuses on ion channels and other membrane-bound receptors and transporters.

Ion channels are proteins, which open to the passage of charged atoms – ions – across the cell membrane and thus govern the electrical activity in nerve and muscle cells. A single cell can express many different ion channels, each of which allows the transport of a specific type of ions. Accordingly, the channels are called sodium channels, potassium channels, chloride channels and so on. Many ion channels are expressed only in some organs and some even specifically in certain cell types, in, for example, neurons. This makes ion channels obvious targets for drug compounds, as they will only be effective where the channel exists. This specificity probably means that adverse side effects can be avoided. Today, many important drugs on the market produce their effect by acting on ion channels, as illustrated in the table below.

Table 9: Important ion channel drug classes

Ion channel type	Disease area	Examples of drugs
Calcium channels	Hypertension	Verapamil
		Nifedipine
		Diltiazem
Sodium channels	Epilepsy	Phenytoin
	Pain	Lidocain
		Lamotrigine
Chloride channels	Anxiety	Diazepam
	Sleep disorders	Lorazepam
	Epilepsy	Valproate
Potassium channels	Diabetes	Glibenclamide

Source: NeuroSearch

In Ballerup, new molecules synthesised in the medicinal chemistry departments are in most cases tested for their pharmacokinetic properties before they are progressed for further characterisation in the CNS pharmacology division and/or the ion channel therapeutics division. While the CNS pharmacology division focuses on psychiatric and neurological diseases, the

ion channel therapeutics division works within somatic diseases such as inflammatory diseases, cardio-vascular diseases, metabolic diseases and urinary incontinence.

Drug discovery in Ballerup – Primary research areas
NeuroSearch's principal focus areas within its target-based drug discovery are GABA receptors, potassium channels, nicotinic receptors and monoamine transporters.

GABA receptor modulators
GABA, or gamma-aminobutyric acid, is the general activity-reducing neurotransmitter in the brain. The most widely used anxiety-reducing drugs (benzodiazepines such as Valium®) amplify the effect of GABA on the $GABA_A$ receptor complex. Most drugs for the treatment of sleep disorders are GABA modulators. The $GABA_A$ receptor complex is a chloride channel based on five components, all of which may appear in different forms. Recent research findings have demonstrated that the desired anxiety-reducing effect of benzodiazepines (e.g., Valium®) is due to interaction with receptors containing α_2 or α_3 proteins; while the undesirable sedative effect of the compounds is caused by an effect on the α1 protein.

NeuroSearch's research in GABA modulators is focused on producing drug candidates which act as benzodiazepines on receptors containing α2 and/or α3 proteins, but which have no or only a slight effect on the α1 protein. These compounds are therefore assumed to have the same anxiety-reducing effects without the undesirable side effects of the benzodiazepines. In addition, the compounds also have the potential to treat sleep disorders and epilepsy. NeuroSearch has succeeded in synthesising and characterising compounds with the desired profile, and the first two development candidates from the programme, NSD-708 and NSD-721, were selected by NeuroSearch in 2007.

Potassium channel modulators
NeuroSearch has been active in research on potassium channels as targets for new drugs for more than ten years. SK channels constitute a sub-group of potassium channels which open when the calcium level in a cell increases and thus allow transport of potassium across the cell membrane. SK channels play an important role in the re-establishment of the resting condition of both peripheral and central nerve cells following nerve activation and are responsible for the phenomenon called "medium-duration after-hyperpolarisation". Compounds which affect the various SK channels in either a positive or negative way therefore have potential as drugs for the treatment of a large number of diseases in which the nerve cell activity is critically out of balance. In NeuroSearch's SK programme, which is focused on epilepsy and urinary incontinence, potent and selective positive and negative modulators have been synthesised.

KCNQ channels (also known as Kv7 channels) – another type of potassium channels – play a key role in the activity of the nerve cells where they are present, and are therefore relevant as targets for new drugs. There are several subtypes of KCNQ channels, each of which are found in various areas of the CNS, and this may explain why effects of potent KCNQ channel modulators have been observed in a number of preclinical models for various CNS diseases. In addition to epilepsy, pain and anxiety, there is a scientific rationale for expecting that modulators of KCNQ channels may also be able to treat migraines, Alzheimer's disease, depression and schizophrenia.

NeuroSearch's potassium channel research extends beyond the CNS, and important programmes address areas such as immune diseases and cardiac diseases. One example is the programme focussed on hERG channels. NeuroSearch scientists have identified novel proprietary compounds which enhance opening of this cardiac ion channel. These compounds have been found to stabilise the heart beat in preclinical models of cardiac arrhythmia, a disorder which may ultimately lead to cardiac arrest.

Neuronal Nicotinic Receptor (NNR) modulators
Nicotinic receptors are located in the CNS and are involved in the modulation of information. An NNR is composed of five proteins which together form the central ion channel. The subunits have distinct and overlapping expression patterns in different areas of the brain, and different subunits can be combined to give a considerable diversity of functional ion channels. The natural activator for the NNRs is acetylcholine. NNR modulators have proven to be effective for pain relief in animal models of chronic pain, but their clinical potential is not restricted to pain. Recent clinical studies performed by third parties have

indicated potential efficacy of nicotine in the treatment of depression and attention deficit in schizophrenic patients. Studies of NNR-modulating compounds in animals and humans have also shown improvements in sustained attention and concentration. Lack of concentration is one of the symptoms of schizophrenia and is a common sign of ageing and is also common in the early stages of Alzheimer's disease and in ADHD. Therefore, it is hypothesised that nicotinic agonists may be of therapeutic benefit in the treatment of cognitive and/or attention deficits in humans. NeuroSearch has been active in the field of nicotinic receptor modulators for more than 10 years, and from 1999 to 2003, it collaborated with Abbott on characterising new NNR-modulating compounds. Based on the results of this collaboration Abbott currently has four drug candidates in active development. NeuroSearch is continuing the lead optimisation of other NNR modulators.

Mixed monoamine re-uptake inhibitors (MMRI)

The monoamines serotonin, dopamine and noradrenaline are crucial neurotransmitters – or mediators – in the human brain. NeuroSearch has many years of experience in designing, optimising and testing of compounds that can block the re-uptake of these three monoamines in the nerve cells, thereby amplifying their function. Depending on their relative effect on the serotonin, dopamine and noradrenaline re-uptake systems, respectively, NeuroSearch's re-uptake inhibitors have demonstrated an effect in numerous preclinical in vivo models of key CNS diseases, including, depression, pain, anxiety, Alzheimer's disease, Parkinson's disease, ADHD, substance abuse and obesity.

Drug discovery in Gothenburg – ISP based

NeuroSearch's second drug discovery division is comprised of NeuroSearch Sweden and is based in Gothenburg. Drug discovery in Gothenburg is based on the ISP (integrated screening process) platform, which aims at mapping the response of the biological organism to any treatment, and as such complementing the more target-based approach used primarily in NeuroSearch's drug discovery division in Ballerup.

Two main drug discovery programmes are in progress in Gothenburg. One programme focuses on dopaminergic stabilisers, which are compounds that can both enhance and counteract dopaminergic effects, depending on the initial level of dopaminergic activity. In the normal state, these compounds show no, or at most mild effects on behaviour. In contrast, they inhibit hyperactivity, and normalise perturbed behavioural patterns occurring in states of hyperdopaminergia as well as hypoglutamatergia. Dopaminergic stabilisers have also been shown to reduce pathologic rotations in experimental models with asymmetric lesions of the basal ganglia. Along with beneficial effects on behaviour, monoaminergic neurochemistry tends to be restored, in hypoglutamatergia as well as hyperdopaminergia. To date, three development candidates from this research field have been selected for development, namely ACR16, ACR325 and ACR343.

The other important programme in the Gothenburg drug discovery unit is focussed on new drug candidates which selectively facilitate neurotransmission in the cortex of the brain. Such compounds may be of benefit in treatment of attentive, cognitive, affective disorders and schizophrenia.

5.f. Key markets

In the opinion of Management, the market description has been reproduced correctly, and Management believes that no facts have been omitted that would render the data provided inaccurate or misleading. Where information has been sourced from a third party, Management confirms that this information has been accurately reproduced and, as far as Management is aware and able to ascertain from information published by such third party, no facts have been omitted which would render the information reproduced inaccurate or misleading. However, there can be no assurance that other sources may not have additional or different information and/or different opinions of the market and the product and treatment regimes. The Company disclaims any liability for the correctness and completeness of the public databases that have been used as the basis for Tables 10-13 in this section.

In the following section, NeuroSearch describes the markets addressed by drug candidates in late-stage development (Phase II-III) by NeuroSearch, alone or in collaboration with partners. These markets include Huntington's disease, obesity, depression, ADHD and neuropathic pain.

The following section focuses on new chemical entities (NCEs) in late-stage clinical development. In addition to NCEs, many drugs already on the market are in development for new indications ("line extensions"), thereby targeting additional disease areas, including those described below. Consequently, the overview of NCEs in late-stage development should not be the sole basis for forming a view of the competitive environment, especially for markets in which many clinical "line extension" studies are conducted. However, NeuroSearch believes that NCEs will likely constitute the key competing drugs for most of the drug candidates in NeuroSearch's pipeline.

Huntington's disease
According to the HDSA, disease prevalence is one in every 10,000, with up to 30,000 people in the United States (Datamonitor) and 37,000 in the European Union (EMEA) suffering from Huntington's disease.

Currently, no disease-modifying treatment for Huntington's disease exists. Physicians frequently prescribe various medications to help reduce psychiatric and movement problems: antipsychotics, antidepressants, tranquillisers, mood-stabilisers and botulinum toxin. However, for most drugs used, efficacy can be questioned and many are associated with undesirable side effects. A recently published systematic literature search on the pharmacological management of Huntington's disease failed to result in any treatment recommendation of clinical relevance (Bonelli and Wenning, Current Pharmacological Design, 2006).

Management believes that ACR16 is the only NCE in late-stage development with potential to be approved as a treatment of Huntington's disease. Other candidates in late-stage development include ubidecarenone, amantadine, HD-02 (creatine) and Dimebon, which are drugs that have been on the market for many years but for the treatment of diseases other than Huntington's disease. In addition, tetrabenazine is approved in certain countries for the treatment of movement disorders associated with Huntington's disease.

Obesity
According to the World Health Organization (WHO), obesity has reached epidemic proportions globally, with up to 1.6 billion adults (over 15 years old) overweight and at least 400 million of them clinically obese (BMI > 30) in 2005. The rising epidemic is a major contributor globally to the social burden of chronic disease and disability and reflects the profound changes in society and in behavioural patterns of communities over recent decades. The prevalence of obesity has risen threefold in less than two decades. This rapidly growing epidemic shows no signs of slowing, according to Datamonitor.

According to the American Obesity Association, patients with obesity are at risk of developing one or more serious medical conditions, which can cause poor health and premature death. Obesity has been found to have a major influence on the prevalence of Type II diabetes and it complicates the management of Type II diabetes by increasing the patients' insulin resistance and glucose intolerance, which makes drug treatment for Type II diabetes less effective. The International Diabetes Federation (IDF) estimates for 2007 that there are 246 million people with diabetes in the adult population in the seven regions served by the IDF (Africa, Eastern Mediterranean and Middle East regions, Europe, North America, South and Central America, South-East Asia and the Western Pacific region).

According to IMS Health, worldwide sales of anti-obesity drugs were estimated at approximately EUR 1.06 billion in 2006. Reductil® (sibutramine) and Xenical® (orlistat) dominate the market with a combined market share in 2005 of approximately 70 per cent. In June 2007, GSK launched the over the counter drug Alli™ (orlistat) in the United States. Sales reached USD 155 million within five weeks.

A new drug, Acomplia® (rimonabant) was launched for the treatment of obese and overweight patients in June 2006 in the United Kingdom as the first European market. Although this cannabinoid CB1 receptor antagonist is approved for the treatment of obesity in 37 countries, including European countries, both the FDA and its Endocrinologic and Metabolic Drugs Advisory Committee announced in June this year that they are not comfortable approving a compound for non-neurologic and non-psychiatric indications that acts primarily on a target that is ubiquitous in the brain, especially in pathways that are not well characterised. In the same month, Sanofi-Aventis withdrew its NDA for Acomplia®.

According to Datamonitor, annual global revenue from anti-obesity drugs is expected to reach USD 2,500 million in 2012. Management believes that the increase in the obesity drug market will be driven by increasing public awareness, reimbursement of patients' cost of medication, growing prevalence of obesity and wider availability of anti-obesity preparations.

Table 10: Overview of new chemical entities (NCEs) in late-stage clinical development for the treatment of obesity

Drug candidate	Development status
Lorcaserin	Phase III
CP-945598	Phase III
Taranabant	Phase III
Tesofensine	**Phase III in preparation**
Cetilistat	Phase III in preparation
Pramlintide	Phase II
Liraglutide	Phase II
Recombinant leptin	Phase II
Sergliflozin	Phase II
ID-1101	Phase II
SLV-319	Phase II
Adyvia	Phase II
S-2367	Phase II
AVE1625	Phase II
CP-866087	Phase II
Obinepitide	Phase II

Sources: Thomson, Adis, www.clinicaltrials.gov and company websites

In addition to the NCEs listed in Table 10, a number of combination drugs are in late-stage development for the treatment of obesity including Contrave™, EmpaticTM and Qnexa. Contrave™ (naltrexone SR plus bupropion SR) is in Phase III development, while Empatic™ (zonisamide SR plus bupropion SR) and Qnexa (phentermine plus topiramate) are in Phase II development.

The average weight loss achieved by the currently marketed anti-obesity drugs, after deducting the effects of placebo and diet, is in the range of three to five kilos achieved over 12 months of treatment. In addition, marketed drugs are associated with safety concerns and tolerability issues. Management believes that there is a need for drugs that are much more effective in reducing weight and sustaining a weight loss. If the results from the TIPO-1 study with tesofensine can be substantiated in the pivotal Phase III studies, tesofensine would have a strong competitive advantage compared to existing drugs in the treatment of obesity. Given the strong correlation between obesity and serious medical conditions such as Type II diabetes and cardiovascular events, Management further believes that clinical proof of a novel anti-obesity agent's ability to ameliorate or prevent such conditions would increase its probability for rapid market uptake, market expansion and reimbursement by health care programmes.

Depression

According to the WHO, in 2006 depression affected approximately 121 million people worldwide. Depression is the largest market of all CNS indications. According to IMS Health, in 2006, worldwide sales of antidepressants totalled approximately EUR 16.4 billion. A number of different drugs are currently marketed for the treatment of depression. The most important of these are Effexor®, Cipralex®/Lexapro®, Zoloft®, Wellbutrin®, Cymbalta®, Paxil® and Prozac®.

Depression is thought to be associated with the disruption and imbalance in the brain of the neurotransmitters dopamine, noradrenaline and serotonin. Medications currently used to treat depression, such as selective serotonin reuptake inhibitors, dual uptake inhibitors and tricyclics, are designed to increase the levels of one or two of those neurotransmitters. However, despite the availability of many antidepressants, there are still unmet needs. Thus, only about half of the patients respond to the

treatment. Other studies have indicated that a significant number of patients do not achieve complete remission. Additional problems include delayed onset of action by several weeks, and side effects such as nausea and sexual dysfunction.

Table 11: Overview of new chemical entities (NCEs) in late-stage clinical development for the treatment of depression

Drug candidate	Development status
Pristiq	Registration application filed
Agomelatine	Phase III
Vilazodone	Phase III
Saredutant	Phase III
Amibegron	Phase III
NS2359	**Phase II**
ORG34517	Phase II
Elzasonan	Phase II
SSR149415	Phase II
NC-007	Phase II
876008	Phase II
ONO-2333Ms	Phase II
LU-AA21004	Phase II
LY2216684	Phase II
Casopitant	Phase II
PRX-00023	Phase II

Sources: Thomson, Adis, www.clinicaltrials.gov and company websites

ADHD (Attention Deficit Hyperactivity Disorder)

Based on information from Datamonitor and IMS, total sales of the ADHD products can be estimated at approximately EUR 2.7 billion in the United States, the United Kingdom, France, Germany, Spain, Italy and Japan in 2006. The ADHD market value has experienced rapid growth, with a compound annual growth rate of 24 per cent from the beginning of 2002 to the end of 2006. This growth has been due in part to launches of several ADHD therapies and diagnosing of new patients. The bulk of the market for ADHD drugs is in the United States. In 2005, approximately 7 per cent of the total revenues were attributed to the adult market. ADHD is underserved with a treatment rate of less than 10 per cent. The most important drugs currently on the market are Concerta®, Adderall XR® and Strattera®, but generic competition to Concerta® and Adderall XR® launched in 2007 is expected to reduce the value of the ADHD market. However, Management believes that the launch of new drugs will drive continued growth, since they are expected to address unmet needs (such as the treatment of co-morbid cognitive deficits), reduce abuse potential, improve compliance and target both children and adult populations.

Table 12: Overview of new chemical entities (NCEs) in late-stage clinical development for the treatment of ADHD

Drug candidate	Development status
ABT-894	**Phase II**
NS2359	**Phase II**
ABT-089	Phase II

Sources: Thomson, Adis, www.clinicaltrials.gov and company websites

Neuropathic pain

Datamonitor estimated the total market for neuropathic pain therapies in the United States, Japan, the United Kingdom, France, Germany, Italy and Spain to be approximately USD 1.68 billion in 2005. The best-selling non-generic drugs for the treatment of pain are Neurontin®, Duragesic® and Lidoderm®.

It is generally believed that there are limitations to the existing treatments for each individual type of pain. Severe pain is typically treated with opioids. Prolonged use of opioids, however, may result in tolerance and dependency. As a result, physicians are often reluctant to prescribe opioids for an extended period of time or at all. Chronic pain is therefore most often treated with a class of drugs known as non-steroidal anti-inflammatory drugs, although these drugs are often not sufficiently effective. Some antiepileptics and antidepressants are also marketed as treatment for neuropathic pain, but also have limited therapeutic efficacy. According to a Datamonitor report, existing treatments only provide a 50 per cent reduction in neuropathic pain.

Table 13: Overview of new chemical entities (NCEs) in late-stage clinical development for the treatment of neuropathic pain

Drug candidate	Development status
Pristiq	Phase III
Lacosamide	Phase III
NGX-4010	Phase III
ABT-894	**Phase II**
CNS-5161	Phase II
CNP-3381	Phase II
V3381	Phase II
RGH-896	Phase II
Ralfinamide	Phase II
SB-681323	Phase II
NS1209	**Phase I/II**

Sources: Thomson, Adis, www.clinicaltrials.gov and company websites

5.g. Regulatory approval

Government authorities extensively regulate the research, development, testing, manufacture, distribution and marketing of pharmaceutical products.

Before a pharmaceutical candidate is approved, it will usually have been subjected to comprehensive preclinical testing. Preclinical tests generally include an assessment of the compound's effect at molecular and cellular levels (in vitro tests) as well as animal studies (in vivo tests). Clinical studies generally involve the administration of the pharmaceutical candidate to human subjects to evaluate product safety, tolerability and efficacy in patients and are generally conducted in three sequential phases (which may overlap or be combined):

Phase I and I/II

In a Phase I study, the pharmaceutical candidate is initially introduced into healthy human subjects and tested for safety and dosage tolerance. Absorption, metabolism, distribution and excretion studies are generally performed at this stage. In some cases, the Phase I study is designed to also measure individual, preliminary efficacy parameters. Such studies are referred to as Phase I/II studies.

Phase II

The pharmaceutical candidate is studied in a limited number of subjects. These studies are undertaken to identify possible adverse effects and safety risks, and to determine the potential efficacy of the drug candidate as well as dosage tolerance and optimal effective dose. Most often, Phase II is divided into Phase IIa and Phase IIb studies. A Phase IIa study is designed to establish proof-of-concept in a lower number of patients than traditional Phase II studies to get an indication of the compound's efficacy in humans as quickly as possible at the lowest possible cost. Once the effect has been demonstrated in humans, a Phase IIb study will follow, designed as a multi-dose study involving a greater number of patients placed in groups to receive different dosages of the drug candidate or placebo (placebo-controlled study).

Phase III
When Phase II evaluations demonstrate that a specific dosage range of the drug is effective and has an acceptable safety profile, Phase III studies are undertaken to demonstrate clinical efficacy and to further test for safety in an expanded patient population. Phase III studies are typically undertaken at a number of centres in several countries.

Registration in the European Union
Under the EU regulation system, NeuroSearch may submit marketing authorisation applications for a new drug under either a centralised or a decentralised procedure.

Through the centralised procedure, a company submits a single marketing authorisation application to the EMEA and a single evaluation is carried out through the EMEA's Committee for Medicinal Products for Human Use. If the committee concludes that quality, safety and efficacy of the medicinal product is sufficiently proven, it adopts a positive opinion. This is sent to the European Commission, which issues a marketing authorisation valid for the whole of the European Union and Norway, Iceland, Switzerland and Liechtenstein.

In the decentralised procedure, an application has to be filed with the authorities in each EU and EEA country.

Registration in the United States
In the United States, the FDA is the regulatory authority charged with granting marketing authorisations. New drug applications ("NDAs") undergo an unpredictable and potentially prolonged approval process with the FDA, which can make approval both a costly and time-consuming process. Approval is influenced by a variety of factors, including the seriousness of the targeted indication or disease, the availability of alternative treatment and the risks and benefits of the drug candidate demonstrated in clinical studies.

Initially, an applicant (such as NeuroSearch) submits an IND application, which must include the results of its preclinical studies, for review and approval by the FDA before clinical studies can begin. Preclinical studies must be conducted in a laboratory and in animal model systems to gain preliminary data on the drug candidate's safety and efficacy.

Once approval of the IND is obtained, the FDA receives reports on the progress of each phase of clinical studies, and it may require the modification, suspension or termination of clinical studies if an unwarranted risk is presented to test subjects. After completion of clinical studies of a drug candidate, the applicant submits an NDA which must include results or product development activities, preclinical studies and detailed manufacturing information. For most drugs, the NDA process may result in one of three general outcomes. First, an applicant may obtain FDA marketing approval. Before marketing approval is granted, the manufacturing facility will be inspected by FDA inspectors for compliance with current GMP requirements and it will be inspected periodically thereafter for continuing compliance. Alternatively, the FDA may find the drug "approvable" but require additional preclinical or clinical tests. Finally, a drug may be declared "non-approvable" if the FDA finds that the application is not sufficient to satisfy the applicable safety and efficacy criteria for approval.

Even if NeuroSearch were to obtain FDA marketing authorisation for a particular drug, the FDA subjects a marketed product to continual review, and subsequent discovery of previously unknown problems or a failure to comply with the applicable regulatory requirements may result in restrictions on the marketing of such drug or mandated withdrawal from the market, as well as possible civil or criminal sanctions.

Registration of pharmaceuticals in countries outside the European Union and the United States
Pharmaceuticals that obtain approval in the United States or the European Union can generally also be approved in other jurisdictions. However, there may be additional requirements on studies to be conducted and on the data to be presented in order to receive marketing approval.

6. Organisational structure

6.a. Group structure

NeuroSearch A/S is the parent company of the NeuroSearch Group. The Swedish subsidiary, NeuroSearch Sweden (formerly Carlsson Research) has its address at Arvid Wallgrens Backe 20, 413 46 Gothenburg, Sweden, and the Danish subsidiaries, Poseidon Pharmaceuticals A/S, NeuroScreen ApS and NsExplorer A/S (all of which are wholly owned), have principal addresses and registered offices at Pederstrupvej 93, DK-2750 Ballerup, Denmark.

Table 14: Subsidiaries, associates and equity interests of the Company as of 30 September 2007

Company	Domicile	Ownership interests and voting rights (per cent)
NeuroSearch Sweden AB	Gothenburg, Sweden	100
Poseidon Pharmaceuticals A/S	Ballerup, Denmark	100
NeuroScreen ApS	Ballerup, Denmark	100
NsExplorer A/S	Ballerup, Denmark	100
Sophion Bioscience A/S[(1)]	Ballerup, Denmark	29.6
NsGene A/S[(2)]	Ballerup, Denmark	25.2
Atonomics A/S	Copenhagen, Denmark	18.8
ZGene A/S	Hørsholm, Denmark	17.7
PainCeptor Corporation Inc.	Ottawa, Canada	2.6
Bavarian Nordic A/S[(3)]	Elsinore, Denmark	1.3

(1) NeuroSearch has granted convertible loans to Sophion Bioscience that, as of the Offering Circular Date, total DKK 2.6 million (EUR 0.3 million), which are not reflected in the table above.

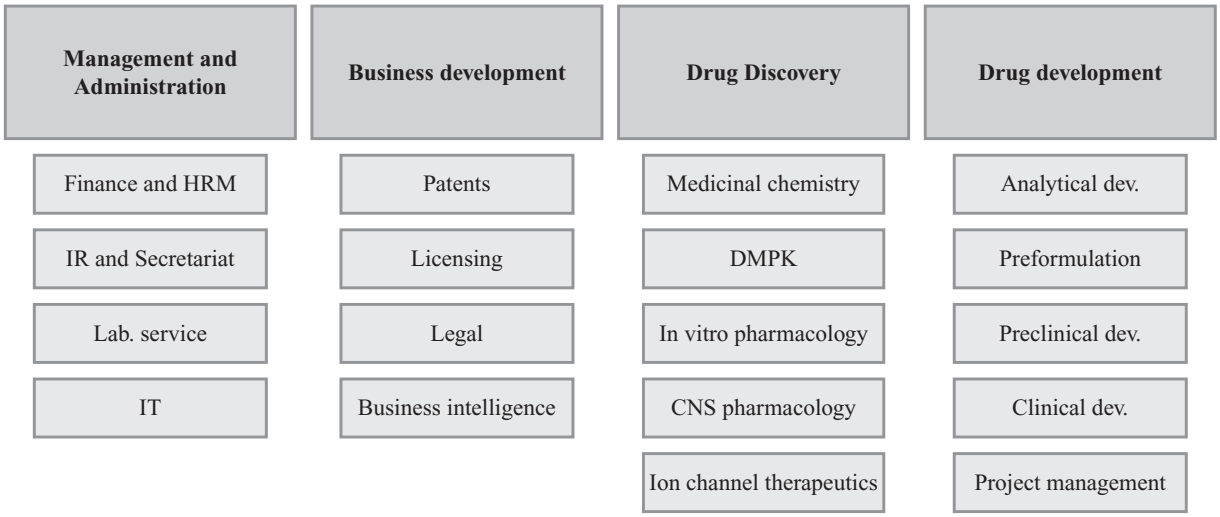
(2) NeuroSearch has granted subordinated, convertible loans to NsGene that, as of the Offering Circular Date, total DKK 11.3 million (EUR 1.5 million), which are not reflected in the table above.

(3) Bavarian Nordic is listed on the OMX Nordic Exchange Copenhagen, and the Company has reduced its investment considerably over the past few years. For a discussion of these equity interests and divestitures, see "I.8. Review of operations and financial statements".

6.b. Functional structure

As of the Offering Circular Date, NeuroSearch has a total of 237 employees, 201 of whom work in research and development.

Figure 3: Functional structure of NeuroSearch



Management and Administration
This function, which has 28 employees, is comprised of Finance and Human Resource Management (HRM), Investor Relations, Secretariat, Laboratory Service and IT.

Business Development
The function handles business development, patents, legal, licensing and market intelligence. The function has eight employees.

Drug Discovery
Medicinal Chemistry
The Medicinal Chemistry function has a total of 40 employees, 13 of whom hold a Ph.D. Since its inception, NeuroSearch has synthesised around 12,000 compounds covered by more than 1,900 patents and patent applications. With a view to identifying new starting points for drug candidates by means of High Throughput Screening (HTS), NeuroSearch purchases selected chemical libraries which, together with the proprietary compounds, make up its library of compounds, which comprised more than 200,000 different compounds as of the Offering Circular Date.

DMPK – Drug Metabolism and Pharmaco Kinetics
NeuroSearch has established a bioanalytical unit consisting of two departments with a total of 16 employees who work on estimating the pharmacokinetic parameters of its drug candidates. Before compounds are tested for effect in labour-intensive animal models, their bioavailability is studied.

In Vitro Pharmacology
The main technologies in this function comprise electrophysiology and other functional measuring methods in cell cultures and tissue preparations as well as a range of in vitro and in vivo binding assays. Applying molecular biology methods, cell biologists are able to study the effects of compounds on cloned human proteins such as receptors and ion channels expressed in cell lines. NeuroSearch's Screening Department regularly studies the effect of each of the more than 200,000 compounds from its library of compounds on a selected protein in the course of a few months by applying fluorescence methods. The function has 35 employees, 11 of whom hold a Ph.D.

CNS Pharmacology
Based on effects at the cellular and molecular levels and satisfactory pharmacokinetic properties, compounds are selected to be studied for pharmacological effect in animal models of CNS disorders. NeuroSearch has established more than a hundred effect models for important CNS diseases such as Parkinson's disease, epilepsy, depression, anxiety, dementia, schizophrenia, stroke and pain. CNS pharmacology also includes the Integrative Screening Process (ISP) which was developed by Carlsson Research (now NeuroSearch Sweden). See "I.5.e. NeuroSearch's drug discovery platform". The CNS pharmacology function has 37 employees, ten of whom hold a Ph.D.

Ion channel therapeutics
This function was established on 1 January 2007 with the aim of pursuing the potential of drug candidates from NeuroSearch's ion channel platform more broadly. NeuroSearch believes that its target-based discovery efforts within CNS diseases will continue to be a source of many important drugs, but it has also been able to successfully advance compounds from its ion channel programmes into clinical development focusing on therapy areas outside the CNS. The areas in focus are metabolic diseases, immune diseases, urinary incontinence and cardiovascular diseases, and the technologies span from in depth in vivo characterisation, over tissue preparation studies such as organ baths to in vitro efficacy measurements. The function has 27 employees, eight of whom hold a Ph.D.

Drug Development
Analytical Development
This department participates in the development process with primary focus on the development of analytical methods for drug substances and products, including identification and characterisation of process-related impurities and decomposition products. Moreover, the department handles validation and stability testing. Part of this work is contracted out. The depart-

ment's work complies with the rules for Good Laboratory Practice (GLP) and Good Manufacturing Practice (GMP). The department has 13 employees.

Preformulation
This department works on the physical-chemical characterisation of both development candidates and chemical substances at the advanced research stage. The laboratory has been GMP-certified under the Danish Medicines Act. The department has six employees.

Preclinical Development
The principal responsibility of this department is to plan, initiate and follow the safety studies which all drug candidates have to go through before clinical studies are initiated. For strategic reasons NeuroSearch has chosen to contract out all GLP safety studies to specialised companies. See "Risk factors - Risks related to dependence on third parties". Preliminary safety studies are carried out in house before a compound can be selected as a development candidate. The department has nine employees.

Clinical Development
This department, which has ten employees, is responsible for the planning, initiation and monitoring of all clinical studies sponsored by NeuroSearch. All clinical studies are contracted out to third parties who are required to work in compliance with Good Clinical Practice (GCP). The department also compromises Regulatory Affairs and Documentation, a group responsible for IND and IMPD submissions and other contacts with drug regulatory agencies.

Project Management
This department has eight employees specialised in management of preclinical and early-stage clinical development programmes. In addition, the project managers' functions are to work closely with researchers to challenge them and assist them with smaller, early-stage research programmes.

7. Property, plant and equipment

The Company's domicile is situated on Pederstrupvej in the Municipality of Ballerup. The Company owns the laboratory and administration building. The building comprises 6,500 m^2 in two stories and a basement of 2,500 m^2. An additional laboratory of approximately 9,000 m^2 can be built on the existing property. Moreover, the Company has right of first refusal to buy 9,000 m^2 of land adjacent to its current property which is owned by the Municipality of Ballerup.

NeuroSearch Sweden leases the facilities in Gothenburg where it operates.

NeuroSearch invested DKK 3.6 million (EUR 0.5 million) in property, plant and equipment in the first half of 2007 compared with DKK 6.4 million (EUR 0.9 million) in the first half of 2006. Most of the investments made in 2004, 2005, 2006, and in the first half of 2007 have been in laboratory equipment and IT. NeuroSearch's capital investments over the past three financial years were: DKK 14.8 million (EUR 2.0 million) in 2004, DKK 13 million (EUR 1.7 million) in 2005 and DKK 12.9 million (EUR 1.7 million) in 2006.

In the second half of 2007, NeuroSearch expects to invest approximately DKK 7.5 million (EUR 1.0 million) in property, plant and equipment. This amount does not include the cost of expanding the R&D facilities discussed below.

As a result of the growth in NeuroSearch's development activities and the increasing number of clinical studies with new drug candidates, NeuroSearch has decided to expand the R&D facilities in Ballerup. Construction is expected to begin this year with planned completion in late 2008, adding approximately 800 square metres and approximately 30 new offices. The total investment in the new building is estimated to be approximately DKK 30 million (EUR 4.0 million). NeuroSearch has received confirmation from Nordea Bank Danmark A/S that financing for the new building through a bank loan is available. NeuroSearch has not made any firm commitments regarding other material future investments.

7.a. Insurance

The business exposes NeuroSearch to potential product liability risks and other risks which are inherent in research, preclinical and clinical development, manufacturing, marketing and the use of human therapeutic products. Even in cases where NeuroSearch may license third parties to run development, clinical studies, testing and manufacturing, there can be no assurance that product liability claims or other claims could not be filed against NeuroSearch for such products, or that indemnification or other relief would not be sought from NeuroSearch for any such claims. NeuroSearch is obliged to take out certain insurance as a condition for the conduct of clinical studies. NeuroSearch has taken out insurances to cover such potential liabilities that could normally be raised against a company operating within the fields where it operates, but there can be no assurance that such insurances will be sufficient to cover the losses which may be incurred. Management considers the nature of and the relative amounts of the insurance policies taken out to be in line with what is normal for similar companies.

NeuroSearch Sweden is a member of the Swedish Pharmaceutical Insurance Association which provides insurance coverage in case of patient injuries of persons participating in clinical studies.

7.b. Environmental issues

NeuroSearch is subject to environmental laws and regulations in Denmark, Sweden and elsewhere where it operates. Given the nature of the business as currently conducted, the implications of such laws and regulations on NeuroSearch is relatively limited and NeuroSearch does not currently issue separate environmental reports because its activities have only a limited impact on the environment. NeuroSearch continuously evaluates how various environmental factors can be improved with respect to preventing, reducing or remedying damage to the environment. NeuroSearch believes it is in compliance with current environmental laws and regulations.

The Company uses a steam boiler heated by natural gas for heating at the facilities in Ballerup, and gas consumption in 2006 increased by approximately 5 per cent year on year without degree-day adjustment. In Gothenburg the heating comes from district heating which is a system where waste heat from industrial and other processes is recirculated into a network of heat-pipes running through the city.

Although the Company installed a new humidification system in Ballerup in 2005, which uses electricity instead of gas, its electricity consumption fell by 8 per cent in 2006. Adjusted for the larger number of employees in 2006, electricity consumption fell by approximately 12 per cent. NeuroSearch constantly focuses on reducing its electricity consumption. As part of this process, purchases of equipment have now been centralised in order to optimise both prices and the environmental impact. In recent years, NeuroSearch has focused on reducing its consumption of water. Consumption per employee in Ballerup in 2005 was half the amount used in 2003. In 2006, the Company had a relatively stable level of water consumption per employee in Ballerup with 29 cubic metres per employee compared to 25 cubic metres per employee in 2005.

NeuroSearch does not yet have any actual industrial production operations, so its discharges into the air, soil and water are exceedingly limited. Various kinds of chemicals are used in the production of new drug substances. NeuroSearch also uses small quantities of radioactive trace elements in certain laboratory experiments; this radioactive material is stored and disposed of in compliance with the guidelines and instructions issued by the Danish National Institute of Radiation Hygiene or any other relevant regulator.

NeuroSearch considers it highly important to maintain a good working environment and meet regulatory requirements regarding the working environment. This also includes the psychological and physical working environment, including exhaust and air change, ventilation, heating, furniture and in-house safety regulations in general.

The Company is from time to time screened by the Danish Working Environment Authority for compliance with the Danish Working Environment Act.

NeuroSearch is continuing its efforts to improve the working environment through an active working environment organisation based on workplace assessments (physical, chemical, biological, ergonomic, accident-related and psychological working environment conditions) as well as based on analyses of developments in the number of illness days. NeuroSearch believes that this is very important to employee well-being and thus also to its staff's ability to always perform at best for NeuroSearch.

8. Review of operations and financial statements

8.a. Selected financial and operating data

The selected financial information presented below has been taken from the Company's audited consolidated financial statements for the years ended 31 December 2004, 2005 and 2006, included elsewhere in this Offering Circular, and should be read in conjunction therewith. The annual reports for 2004, 2005 and 2006 from which the Company's consolidated financial statements have been extracted were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and additional Danish disclosure requirements for annual reports of listed companies. This section also includes selected financial information taken from the Company's audited interim consolidated financial statements for the six months ended 30 June 2007 with comparative figures for the six months ended 30 June 2006 included elsewhere in this Offering Circular, and should be read in conjunction therewith. The published interim report for the six months ended 30 June 2007 from which the interim consolidated financial statements of the Company have been extracted was prepared in accordance with the recognition and measurement criteria of the IFRS as adopted by the European Union and additional Danish interim financial reporting requirements for listed companies. Finally, Table 16, "Key financial information for the six months ended 30 June 2007 and 2006 and pro forma financial information for the six months ended 30 June 2006", contains certain pro forma financial information concerning the six months ended 30 June 2006, which includes financial information for Carlsson Research (now NeuroSearch Sweden), as if it had been acquired by the Company on 1 January 2006.

Part II of this Offering Circular also includes pro forma financial information for a combined NeuroSearch and Carlsson Research, comprising the income statement for the period 1 January – 31 December 2006. This pro forma financial information has been included to present a pro forma income statement covering a full financial year. While Management believes that this pro forma financial information is relevant to investors, the presentation is hypothetical, for information purposes only, and is not intended to constitute or show the overall results or financial position of the Group that would have been reported had the combination been completed at any date before 23 October 2006, and it should not be considered an indication of the future overall results or financial position of the Group. Investors should read the pro forma consolidated financial information together with this section, the Company's audited consolidated financial statements and related notes thereto and other financial information included elsewhere in this Offering Circular.

Table 15: Key financial information for the last three financial years ended 31 December

Key financial information

(in millions)	2006		2005		2004	
	Group DKK	Group EUR	Group DKK	Group EUR	Group DKK	Group EUR
Income statement data:						
Revenue	66.3	8.9	176.5	23.7	122.3	16.4
Research costs	172.3	23.2	159.6	21.5	140.7	18.9
Development costs	54.8	7.4	17.6	2.4	21.3	2.9
Operating profit/(loss)	(186.7)	(25.1)	(22.3)	(3.0)	(62.0)	(8.3)
Net financial items	(25.5)	(3.4)	22.9	3.1	58.6	7.9
Profit/(loss) before tax	(212.2)	(28.5)	0.6	0.1	(3.3)	(0.4)
Net profit/(loss)	(212.2)	(28.5)	0.6	0.1	(3.3)	(0.4)
Balance sheet data:						
Assets						
Total non-current assets	857.2	115.2	220.5	29.6	210.2	28.3
Cash and cash equivalents, other financial assets at fair value and available-for-sale financial assets	387.0	52.0	403.4	54.2	426.9	57.4
Total current assets	410.3	55.1	412.4	55.4	445.9	59.9
Total assets	1,267.5	170.4	632.9	85.1	656.1	88.2
Liabilities and shareholders' equity						
Equity	657.7	88.4	408.0	54.8	416.5	56.0
Total non-current liabilities	435.7	58.6	131.7	17.7	127.9	17.2
Total current liabilities	174.1	23.4	93.3	12.5	111.7	15.0
Total equity and liabilities	1,267.5	170.4	632.9	85.1	656.1	88.2
Cash flow statement data:						
Cash flow from operating activities	(166.4)	(22.4)	(19.6)	(2.6)	(118.5)	(15.9)
Cash flow from investing activities	(335.5)	(45.1)	(45.1)	(6.1)	(102.0)	(13.7)
Cash flow from financing activities	365.2	49.1	14.2	1.9	12.4	1.7
Cash and cash equivalents at the end of the period	(7.2)	(1.0)	129.5	17.4	181.8	24.4
Other capital resources[(1)]:						
Marketable securities	318.8	42.8	218.3	29.3	176.3	23.7
Other available-for-sale financial assets at the end of period	58.7	7.9	47.6	6.4	78.7	10.6
Other capital reserves at the end of period	133.3	17.9	41.4	5.6	40.9	5.5
Capital resources at the end of period	503.6	67.7	436.8	58.7	477.7	64.2
Per share ratios (DKK/EUR):						
Earnings per share	(24.17)	(3.25)	0.07	0.01	(0.43)	(0.06)
Diluted earnings per share	(24.17)	(3.25)	0.07	0.01	(0.43)	(0.06)
Net asset value per share	53.38	7.2	51.71	7.0	53.81	7.2
Average number of employees	199	199	185	185	175	175

Note: Calculations of the financial ratios are consistent with the "Recommendations & Ratios 2005" issued by the Danish Society of Financial Analysts.

(1) NeuroSearch's capital resources include cash and cash equivalents, listed and unlisted securities, unused credit lines on bank credit facilities and guaranteed future payments from GSK under the GSK Agreement.

Table 16: Key financial information for the six months ended 30 June 2007 and 2006 and pro forma financial information for the six months ended 30 June 2006

Key financial information

(in millions)	H1 2007		H1 2006		H1 2006, pro forma[2]	
	Group DKK	Group EUR	Group DKK	Group EUR	Group DKK	Group EUR
Income statement data:						
Revenue	46.9	6.3	33.0	4.4	33.0	4.4
Research costs	99.0	13.3	82.0	11.0	93.0	12.5
Development costs	55.3	7.4	20.9	2.8	24.2	3.3
Operating profit/(loss)	(125.3)	(16.8)	(83.0)	(11.2)	(101.4)	(13.6)
Net financial items	(23.8)	(3.2)	(15.6)	(2.1)	(19.3)	(2.6)
Profit/(loss) before tax	(149.1)	(20.0)	(98.5)	(13.2)	(120.7)	(16.2)
Net profit/(loss)	(149.1)	(20.0)	(98.5)	(13.2)	(120.7)	(16.2)
Balance sheet data:						
Assets						
Total non-current assets	875.3	117.6	214.3	28.8		
Cash and cash equivalents, other financial assets at fair value and available-for-sale financial assets	295.9	39.8	349.2	46.9		
Total current assets	316.8	42.6	358.6	48.2		
Total assets	1,192.1	160.2	572.9	77.0		
Liabilities and shareholders' equity						
Equity	514.2	69.1	312.1	41.9		
Total non-current liabilities	296.9	39.9	126.7	17.0		
Total current liabilities	381.0	51.2	134.0	18.0		
Total equity and liabilities	1,192.1	160.2	572.9	77.0		
Cash flow statement data:						
Cash flow from operating activities	(88.6)	(11.9)	(46.0)	(6.2)		
Cash flow from investing activities	69.2	9.3	(27.8)	(3.7)		
Cash flow from financing	9.2	1.2	5.3	0.7		
Cash and cash equivalents at the end of the period	(15.3)	(2.1)	68.3	9.2		
Other capital resources[1]:						
Marketable securities	237.2	31.9	235.0	31.6		
Other available-for-sale financial assets at the end of period	52.1	7.0	45.9	6.2		
Other capital reserves at the end of period	80.9	10.9	0.9	0.1		
Capital resources at the end of period	354.9	47.7	350.1	47.1		
Per share ratios (DKK/EUR):						
Earnings per share	(12.03)	(1.62)	(12.46)	(1.67)	(15.48)	(2.08)
Diluted earnings per share	(12.03)	(1.62)	(12.46)	(1.67)	(15.48)	(2.08)
Net asset value per share	41.32	5.6	39.44	5.3		
Average number of employees	225	225	189	189		

Note: Calculations of the financial ratios are consistent with the "Recommendations & Ratios 2005" issued by the Danish Society of Financial Analysts.

(1) NeuroSearch's capital resources include cash and cash equivalents, listed and unlisted securities, unused credit lines on bank credit facilities and guaranteed future payments from GSK under the GSK Agreement. At 30 June 2007, capital resources totalled DKK 354.9 million (EUR 47.7 million), of which shares in Bavarian Nordic accounted for DKK 52.1 million (EUR 7.0 million) and the last payment due under the GSK Agreement accounted for DKK 52.1 million (EUR 7 million).

(2) The pro forma financial information has been compiled to show the effect that the acquisition of Carlsson Research (now NeuroSearch Sweden) which was completed on 23 October 2006 would have had on NeuroSearch's results of operations had the acquisition taken place at 1 January 2006. While Management believes that this comparative information is relevant for investors, the presentation is not intended to constitute or show the overall results of operations of NeuroSearch that would have been reported had the combination been completed at such dates, and it should not be considered an indication of the future overall results or financial position of NeuroSearch.

8.b. Review of operations and consolidated financial statements

The following discussion and analysis should be read in conjunction with the consolidated financial statements and related notes appearing elsewhere in this Offering Circular. The annual reports for 2004, 2005 and 2006, from which the consolidated financial statements have been extracted, were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and additional Danish disclosure requirements for annual reports of listed companies. The published interim report for the six months ended 30 June 2007 with comparative figures for the six months ended 30 June 2006, from which the interim consolidated financial statements have been extracted, was prepared in accordance with the recognition and measurement requirements of the International Financial Reporting Standards as adopted by the European Union and additional Danish interim financial reporting requirements for listed companies. The accounting policies applied for the audited interim consolidated financial statements are consistent with the accounting policies used in the Company's annual report for 2006.

The extracted consolidated financial statements for 2004, 2005 and 2006 and the extracted interim consolidated financial statements for the six months ended 30 June 2007 with comparative figures for the six months ended 30 June 2006 are included in "Part II, Information about NeuroSearch's assets and liabilities, financial position and results of operations".

Factors affecting NeuroSearch's results of operations

NeuroSearch is a biopharmaceutical group focused on developing new drugs to treat central nervous system (CNS) diseases and other diseases primarily through ion channel modulation. NeuroSearch has a broad research and development portfolio which includes compounds for the treatment of Huntington's disease, obesity, depression, Attention Deficit Hyperactivity Disorder (ADHD), pain, anxiety, epilepsy, Parkinson's disease, Chronic Obstructive Pulmonary Disease (COPD) and autoimmune diseases.

Acquisition of Carlsson Research

The Company made its first major acquisition in 2006, when the Company acquired Sweden-based biopharmaceutical company Carlsson Research (now NeuroSearch Sweden). The price for Carlsson Research was an up-front payment of SEK 250 million (DKK 200.0 million) (EUR 26.9 million) plus future success-based milestone payments that may total up to SEK 575 million (DKK 460.0 million) (EUR 61.8 million) plus half of any upfront payment should a collaborative agreement on ACR325 be signed. See "I.19.a. Agreement to acquire the share capital of Carlsson Research (now NeuroSearch Sweden)" for further details on the consideration potentially payable by the Company for Carlsson Research. With the acquisition, NeuroSearch added four drug programmes to its development pipeline, including ACR16 for the treatment of Huntington's disease.

At the acquisition of Carlsson Research, which took place on 23 October 2006, the Company paid the sellers of Carlsson Research cash consideration of SEK 166 million (DKK 132.8 million) (EUR 17.8 million) and further paid SEK 84 million (DKK 67.2 million) (EUR 9.0 million) through the issuance of 407,371 new Shares.

In connection with the acquisition, the Company calculated the identifiable intangible assets, including ongoing research and development projects in Carlsson Research, as well as patents and licences, all of which were recognised at fair value at the date of acquisition. Also identified were a number of ongoing research projects at an early stage of research for which no direct correlation could be shown between costs incurred and any future income to be derived from the research work. As a result, the fair value of the early-stage research projects could not be calculated reliably and the value of these was therefore included as goodwill.

Table 17: Breakdown of the fair value of the assets acquired as of 23 October 2006

(In millions)	Fair value on 23 October 2006 (SEK)	Fair value on 23 October 2006 (DKK)	Fair value on 23 October 2006 (EUR)
Development projects	744.3	595.4	80.0
Property, plant and equipment	4.3	3.4	0.5
Receivables	2.9	2.3	0.3
Cash and cash equivalents	10.3	8.2	1.1
Deferred tax, liabilities	(162.8)	(130.2)	(17.5)
Other liabilities	(6.1)	(4.9)	(0.7)
Net assets acquired	**592.9**	**474.2**	**63.7**
Goodwill	47.1	37.7	5.1
Calculated acquisition price[(1)]	**640.0**	**511.9**	**68.8**

(1) The calculated acquisition price is described further below in – "Contingent consideration as a consequence of the acquisition of Carlsson Research (now NeuroSearch Sweden)".

NeuroSearch achieved the first success-related milestone in November 2006, when it started Phase I studies with ACR325. On that occasion, NeuroSearch made a payment to the selling shareholders of Carlsson Research of SEK 75 million (DKK 60.0 million) (EUR 8.1 million) in cash. The remaining consideration of up to SEK 500 million (DKK 400 million) (EUR 53.8 million) plus half of any upfront payment should a collaborative agreement on ACR325 be signed will be payable upon successful achievement of agreed milestones related to Carlsson Research's development programmes existing at the time of the acquisition (see the table below). If the defined milestones are not reached, the related portion of the consideration will not be payable, provided that the Company has diligently pursued the development programmes. See "I.19.a. Agreement to acquire the share capital of Carlsson Research (now NeuroSearch Sweden)".

Table 18: Remaining milestone consideration under the Carlsson Research Agreement

(In millions)	SEK	DKK	EUR
ACR16 (Huntington's disease) – first dosage in Phase III	100	80.0	10.8
ACR343 – first dosage in Phase I	75	60.0	8.1
ACR16 (schizophrenia) – first dosage in Phase II	125	100.0	13.4
ACR325 – first dosage in Phase II	100	80.0	10.8
ACR16 (Huntington's disease) – filing of first New Drug Application or grant of first marketing approval	100	80.0	10.8
Total remaining fixed milestone consideration	**500**	**400.0**	**53.8**
Variable milestone payments: Collaborative agreement on ACR325 – In the event that a collaborative agreement on ACR325 is entered into with a third party partner, 50 per cent of the up-front payment will be made as an additional milestone to the selling shareholders (for illustrative purposes, if an up-front payment amounts to SEK 100 million, a payment of SEK 50 million would be payable to the selling shareholders)			

When a milestone is achieved, NeuroSearch may decide in its sole discretion whether to pay the consideration in cash or in Shares. If payment is effected by issuance of Shares, the value thereof is calculated on the basis of the average price of the Shares over a period of five Banking Days before the announcement that a milestone has been achieved, the date of announcement and four Banking Days thereafter. Any such future payments will be recognised on the balance sheet as an increase in goodwill to the extent that the actual payment differs from the amount recognised in the calculated contingent consideration.

Revenues from collaborations and licensing
NeuroSearch's revenues during the periods under review were mainly generated through agreements with partners, in particular the GSK Agreement, which accounted for virtually all revenues in 2006 and approximately 70 per cent of the revenues in the first half of 2007. In the first half of 2007, NeuroSearch also received milestone payments from Abbott, which accounted for nearly 30 per cent of the total revenues in that period. The scope, aim and duration of NeuroSearch's development, licence and partnership agreements vary, and they cover different areas of the research and development process. See "I.19.b. Significant collaborative and license agreements". Revenues from these agreements vary significantly from year to year.

The development, licence and partnership agreements generally provide for the following types of payments:

- *Up-front payments at the time the agreement is signed:* For ongoing performance obligations, where NeuroSearch remains involved in a programme and where the up-front payment is non-refundable, up-front payments are recognised as deferred revenue on the balance sheet and recognised as revenue in the income statement over the term of the related collaboration. Where NeuroSearch does not have an ongoing performance obligation, does not remain involved in the programme, and the payment is non-refundable, up-front payments are recognised directly as revenue in the income statement when payment is received.
- *Milestone payments* are generally linked to defined significant developmental accomplishments and the market introduction and commercialisation of a specific drug. These amounts are recognised directly as revenue in the income statement upon receipt.
- *Research payments:* When NeuroSearch has an ongoing performance obligation, and remains involved in the programme, research payments are recognised as deferred revenue in the balance sheet and recognised as revenue in the income statement over the term of the related collaboration agreement.

NeuroSearch's revenues fluctuate from year to year. On signing the GSK Agreement, which became effective as from 2004, NeuroSearch received DKK 217 million (EUR 29.1 million) in up-front and research payments, a part of which was recognised initially as deferred revenue in the balance sheet and is being recognised as revenue in the income statement over the five-year term of the GSK Agreement. Through 30 June 2007 NeuroSearch has recognised revenue of DKK 569.2 million (EUR 76.5 million) from the GSK Agreement, including a milestone payment of DKK 74.4 million (EUR 10 million) in March 2005 and NeuroSearch will recognise as a minimum an additional DKK 98.2 million (EUR 13.2 million) in revenue under the GSK Agreement before it expires on 31 December 2008.

Regulatory environment
NeuroSearch operates in a highly regulated industry and is, as are other pharmaceutical and biotech companies, generally affected by governmental, economic, fiscal, monetary and political policies. Since 2004, there have been no developments in such policies which have materially affected NeuroSearch's results of operations, and NeuroSearch is not aware of any such policies which could materially affect NeuroSearch's results of operations. For risks relating to changes in the regulatory environment. See "Risk factors".

Operating expenses
NeuroSearch's operating expenses consist of research costs, development costs and general and administrative costs.

Research costs
Due to the nature of NeuroSearch's activity and the stage of its development, research costs constitute the largest portion of its operating expenses. Research costs are generally fixed costs, including salaries, costs related to research facilities, costs related to filing and maintaining patents, and depreciation attributable to NeuroSearch's research activities. Research costs are expensed in the year in which they are incurred. Government grants are set off against the research costs.

Development costs
Development costs include salaries and costs relating to specific development programmes. Each development programme is dedicated to a single compound which is being tested in a number of clinical studies to illustrate the physical and chemi-

cal properties, toxicology and effect in humans. Development costs include costs to contract research organisations, which are used in development programmes. Development costs are variable costs and can fluctuate significantly from year to year depending on the scope of development activities that are financed by NeuroSearch as opposed to the collaborative partners.

General and administrative costs

NeuroSearch's general and administrative costs consist primarily of salaries and other personnel-related expenses, not directly related to research and development activities. They include the general management, investor relations, finance, administration and business development activities. The remaining costs consist of professional services, such as consulting fees, fees to financial and legal advisers and accountants, travel expenses and general expenses. General and administrative costs also include depreciation.

Significant accounting policies

The following discussion and analysis of operating results and financial position is based on the consolidated financial statements for each of the years ended 31 December 2004, 2005 and 2006 and the interim consolidated financial statements for the six months ended 30 June 2007 with comparative figures for the six months ended 30 June 2006. The preparation of these consolidated financial statements and interim consolidated financial statements requires Management to make estimates and judgments that affect the reporting of assets, liabilities and expenses and the related disclosure of contingent assets and liabilities. Management reviews the estimates on an ongoing basis. Management bases its estimates on historical experience and on various other assumptions that Management believes to be reasonable under the circumstances. However, its actual results may differ significantly from the estimates. Management believes that its accounting policies relating to business combinations, revenue recognition, development costs, share-based payments, financial assets and deferred tax involve estimates or judgments of Management that could materially affect the reported financial position and results of operations.

NeuroSearch's significant accounting policies are described in the following sections, and are described in more detail in the notes to the consolidated financial statements included in "Part II. Information about NeuroSearch's assets and liabilities, financial position and results of operations".

Business combinations

Acquired companies are recognised in the consolidated financial statements of the Company from the date of acquisition. Consequently, the financial position and results of operations of Carlson Research are included in the consolidated financial statements of the Company as from 23 October 2006. In accordance with the International Financial Reporting Standards on business combinations (IFRS 3), no adjustments have been made to the comparative figures in previous periods. Thus prior periods as presented in "I.8.a. Selected financial and operating data", do not reflect the acquisition. For comparison purposes, pro forma financial information for the period 1 January - 30 June 2006 has been included in this section.

In general, the purchase method is applied for acquisitions if the Company, directly or indirectly, gains control of the company acquired. Identifiable assets, liabilities and contingent liabilities in companies acquired are measured at the fair value at the date of acquisition. Identifiable intangible assets are recognised if they can be separated or arise from a contractual right and the fair value can be reliably measured. Deferred tax on revaluations made is recognised.

The date of acquisition is the date on which control of the acquired company actually passes to the Company.

For business combinations, any excess of the cost of acquisition over the fair value of the acquired identifiable assets, liabilities and contingent liabilities is recognised as goodwill under intangible assets. Goodwill is not amortised, but is tested for impairment annually. The first impairment test is performed before the end of the year of acquisition. On acquisition, goodwill is transferred to the cash-generating units which will subsequently form the basis for future impairment tests. Any goodwill arising and any fair value adjustments made on the acquisition of a foreign entity whose functional currency is not the same as the Company's presentation currency are treated as assets and liabilities of the foreign entity in that entity's functional currency and then translated into the Company's functional currency at the exchange rate on the acquisition date.

The cost of a company is the fair value of the agreed consideration paid plus costs directly attributable to the acquisition. If a portion of the consideration is conditional on future events, such consideration is recognised in cost to the extent the events are likely and the consideration can be reliably measured.

Revenue recognition
NeuroSearch receives fees from development, licence and partnership agreements, for the performance of research services, licence option fees and licence fees payable as up-front and milestone payments. The Company recognises revenue from licence agreements, under which NeuroSearch has no continuing performance obligations, when the licence commences and NeuroSearch is certain it will receive the revenue. NeuroSearch has multiple performance obligations under contracts related to research services and licence options. The Company considers revenues from these arrangements to be combined fees for the performance of research services and related licence options, which are deferred until the relevant licence option is exercised or expires. Expenses incurred for the research services performed under such agreements are deferred up to the amount of the deferred revenue.

The Company recognises revenues from conditional, non-refundable grants received from governmental agencies in advance of incurred expenses as deferred income. The Company recognises revenues from funding received upon proof of incurred expenses.

Development costs
Development costs are capitalised if it is sufficiently certain that future earnings from the product can cover not only production, selling and administrative costs, but also the development cost themselves. In all other cases development costs are expensed in the year that they are incurred, given that the future financial benefits in relation to the development costs can not be estimated with sufficient certainty until the development has been completed and the necessary regulatory approvals have been obtained.

Share-based payments
The Company has established equity-settled share-based payment plans (warrants). The employee services received in exchange for the grant of the warrants or shares is recognised as an expense and allocated over the vesting period. The amount is determined as the fair value of the equity instruments granted. The total amount recognised over the vesting period corresponds to the fair value of the warrants or shares that actually vest. The fair value is determined at the grant date and is not adjusted subsequently.

On each balance sheet date, the Company reassesses the estimates of the number of warrants expected to be exercised. The Company recognises any impact of such reassessment of the original estimates in the income statement with a corresponding adjustment in shareholders' equity over the remaining vesting period. Prior-year adjustments are recognised in the income statement in the adjustment year.

Financial assets
Under the Company's accounting policies, investments in certain financial assets must be measured at fair value on the balance sheet date. For assets not traded on an active market, i.e. assets other than listed shares and bonds, the determination of fair value will be subject to a certain element of estimation. Investments in unlisted shares are initially recognised at fair value, which is typically the price NeuroSearch pays for them, provided Management considers the purchase price to be a reliable expression of the fair value. If the unlisted shares have subsequently been assessed and valued by an independent third party, for instance in connection with the injection of new capital, the new valuation is used as the fair value. If it is not possible to determine a reliable fair value, the investment will be measured at cost.

Deferred tax
The Company recognises deferred tax assets when it is likely that there will be sufficient future taxable income to utilise the temporary differences and unutilised tax losses. Management has carefully assessed whether the tax assets should be recognised as income in the income statement or as an asset in the balance sheet. However, based on the accounting criteria in this respect, Management believes that it is not yet possible to recognise the tax assets. To date, NeuroSearch has decided to con-

tinue to disclose the size of the assets in the notes to the consolidated financial statements. Management will regularly reconsider whether the accounting criteria for recognising the assets in the balance sheet and income statement have been met.

Results of operations

Six months ended 30 June 2007 compared to six months ended 30 June 2006

The following information is based on the audited interim consolidated financial statements for the six months ended 30 June 2007 with comparative figures for the six months ended 30 June 2006.

NeuroSearch's net loss increased over the period from a loss of DKK 98.5 million (EUR 13.2 million) for the six months ended 30 June 2006 to a loss of DKK 149.1 million (EUR 20.0 million) for the six months ended 30 June 2007. The increased loss was mainly due to increased development costs for the Company and the effect of including NeuroSearch Sweden (former Carlsson Research) in the accounts.

Revenues

Revenues increased from DKK 33.0 million (EUR 4.4 million) for the six months ended 30 June 2006 to DKK 46.9 million (EUR 6.3 million) for the six months ended 30 June 2007. The higher revenue in 2007 was due to milestone payments from Abbott, totalling DKK 14 million (EUR 1.9 million), in connection with the initiation of a Phase II study in March of the development candidate ABT-894 and the initiation of a Phase I study in May of the development candidate ABT-107.

Total operating costs

Research costs increased 21 per cent from DKK 82.0 million (EUR 11.0 million) for the six months ended 30 June 2006 to DKK 99.0 million (EUR 13.3 million) for the six months ended 30 June 2007. Of the DKK 99.0 million (EUR 13.3 million) in the first half of 2007, DKK 11.8 million (EUR 1.6 million) was related to activities in NeuroSearch Sweden. This increase was in line with expectations.

Development costs increased 165 per cent from DKK 20.9 million (EUR 2.8 million) for the six months ended 30 June 2006 to DKK 55.3 million (EUR 7.4 million) for the six months ended 30 June 2007, primarily as a result of increased activity in the development project for ACR16 (Huntington's disease) and increased activity in the tesofensine program.

As a result, total operating costs increased 48 per cent from DKK 116.0 million (EUR 15.6 million) in the six months ended 30 June 2006 to DKK 172.2 million (EUR 23.1 million) for the six months ended 30 June 2007.

Net financial items

Net financial items amounted to an expense of DKK 23.8 million (EUR 3.2 million) in the six months ended 30 June 2007 consisting of DKK 9.5 million (EUR 1.3 million) from losses in associated companies, DKK 10.8 million (EUR 1.5 million) from the impairment of the Company's equity interest in PainCeptor Inc., DKK 3.8 million (EUR 0.5 million) from interest on loans secured by mortgage on the Company's property, DKK 5.4 million (EUR 0.7 million) from amortisation of the contingent consideration for NeuroSearch Sweden (formerly Carlsson Research), a gain of DKK 2.8 million (EUR 0.4 million) from sale of preemptive rights in Bavarian Nordic and a gain of DKK 2.8 million (EUR 0.4 million) from fair value adjustments of securities. This result was DKK 8.3 million (EUR 1.1 million) lower than the six months ended 30 June 2006, mainly due to the impairment of the value of the equity interest in PainCeptor Inc.

See "Risk factors" for a further discussion of NeuroSearch's risks related to currency and other financial risks.

Years ended 31 December 2004, 2005 and 2006

The following information is based on the Company's audited consolidated financial statements for the periods ended 31 December 2004, 2005 and 2006.

NeuroSearch recorded a net loss of DKK 3.3 million (EUR 0.4 million) in 2004, a net profit of DKK 0.6 million (EUR 0.1 million) in 2005 and a net loss of 212.2 million (EUR 28.5 million) in 2006. The consolidated loss in 2006 included losses of DKK 34.4 million (EUR 4.6 million) from its subsidiaries (NeuroSearch Sweden, Poseidon Pharmaceuticals, NeuroScreen

and NsExplorer). NeuroSearch Sweden contributed DKK 13 million (EUR 1.7 million) to the consolidated loss during the period 23 October - 31 December 2006.

Revenues

In the period from 2004 to 2006 NeuroSearch recognised revenue totalling DKK 365 million (EUR 49.1 million) including research funding from the GSK Agreement, milestone payments pursuant to the GSK Agreement and the agreement with Boehringer Ingelheim, and payments pursuant to the agreement with PainCeptor.

The revenues in 2004 of DKK 122.3 million (EUR 16.4 million) were mainly derived from GSK (DKK 65.5 million (EUR 8.8 million)), a payment from Boehringer Ingelheim of DKK 27.6 million (USD 5.0 million) (EUR 3.7 million), a payment from Abbott of DKK 5.5 million (USD 1.0 million) (EUR 0.7 million) and a payment from PainCeptor of DKK 20 million (EUR 2.7 million).

The revenues in 2005 of DKK 176.5 million (EUR 23.7 million) were mainly derived from GSK (DKK 139.9 million (EUR 18.8 million), including a milestone payment from GSK of DKK 74.4 million (EUR 10 million)), a payment from Boehringer Ingelheim of DKK 27.6 million (USD 5.0 million) (EUR 3.7 million) and a payment from PainCeptor of DKK 8.8 million (EUR 1.2 million).

Virtually all of the revenues in 2006 of DKK 66.3 million (EUR 8.9 million) corresponded to revenue from GSK.

Research costs

Research costs have increased 22 per cent over the three year period, reflecting a general increase in activity level and also the consolidation of NeuroSearch Sweden, which was included in the 2006 accounts for the period 23 October 2006 – 31 December 2006.

Research costs were DKK 140.7 million (EUR 18.9 million) in 2004, DKK 159.6 million (EUR 21.5 million) in 2005 and DKK 172.3 million (EUR 23.2 million) in 2006.

The activity level within the research programmes increased in the period 2004 through 2006, which continued into the first half of 2007.

Development costs

Development costs increased over the three years period and were DKK 21.3 million (EUR 2.9 million) in 2004, DKK 17.6 million (EUR 2.4 million) in 2005 and DKK 54.8 million (EUR 7.4 million) in 2006.

In 2004, development costs were mainly related to clinical studies for NS1209 and the completion of a Phase II study of NS2359.

In 2005, development costs were primarily attributable to ongoing clinical studies for NS1209. The decrease in development costs was mainly due to the licensing of NS2359 to GSK pursuant to the GSK Agreement, which resulted in GSK assuming the obligation to fund the ongoing development of the compound.

In 2006, development costs were primarily attributable to the tesofensine program, and to the development project for ACR16 (Huntington's disease).

General and administrative costs

General and administrative costs were DKK 22.1 million (EUR 3.0 million) in 2004, DKK 21.7 million (EUR 2.9 million) in 2005 and DKK 25.9 million (EUR 3.5 million) in 2006. NeuroSearch's general and administrative costs remained at a constant level in 2004 and 2005. In 2006, general and administrative costs increased 20 per cent, due among other things to increased salaries, approximately DKK 2 million (EUR 0.3 million); administration of NeuroSearch Sweden, approximately

DKK 1 million (EUR 0.1 million); and fees related to the trading of the Shares, approximately DKK 1 million (EUR 0.1 million).

Total operating costs

Total operating costs were DKK 184.2 million (EUR 24.8 million) in 2004, DKK 198.8 million (EUR 26.7 million) in 2005 and DKK 253.0 million (EUR 34.0 million) in 2006, which is a 37 per cent increase over the three-year period. NeuroSearch Sweden accounted for DKK 13 million (EUR 1.7 million) of these costs in 2006.

Net financial items

Net financial items amounted to financial income of DKK 58.6 million (EUR 7.9 million) in 2004 and DKK 22.9 million (EUR 3.1 million) in 2005 and financial expense of DKK 25.5 million (EUR 3.4 million) in 2006.

NeuroSearch's share of results in associated companies is included in the line item "total financials" in the income statement. During the three year period, losses amounted to DKK 4.6 million (EUR 0.6 million) in 2004, DKK 9.3 million (EUR 1.3 million) in 2005 and DKK 20.7 million (EUR 2.8 million) in 2006. This increase was due to continuing increases in the research and development activities.

NeuroSearch also recognises realised fair value adjustments on available-for-sale financial assets in the income statement under financial expenses. These amounted to DKK 61.2 million (EUR 8.2 million) in 2004 and DKK 28.4 million (EUR 3.8 million) in 2005. The realised fair value adjustments in 2004 and 2005 were mainly related to gain from the sale of shares in Bavarian Nordic, which are measured in the balance sheet at market price. Bavarian Nordic is listed on the OMX Nordic Exchange Copenhagen. There were no realised fair value adjustments on available-for-sale financial assets effecting the income statement in 2006.

Finally, net financial items consist of fair value adjustments from financial assets measured at fair value through profit or loss (mainly bonds and securities), which resulted in a gain of DKK 2.1 million (EUR 0.3 million) in 2004, a gain of DKK 3.8 million (EUR 0.5 million) in 2005 and a loss of DKK 4.8 million (EUR 0.6 million) in 2006.

The total value adjustment of the shares held in Bavarian Nordic added DKK 69.2 million (EUR 9.3 million) to profit for 2004. NeuroSearch sold a total of 148,050 shares in Bavarian Nordic in 2004, which yielded total proceeds of DKK 64.1 million (EUR 8.6 million) and a realised gain of DKK 27.0 million (EUR 3.6 million). In accordance with IFRS, the accounting principles were changed in 2005 so that unrealised value adjustments will only be reflected in the balance sheet. During the period 2004-2006 NeuroSearch sold shares in Bavarian Nordic with total net proceeds of DKK 93.5 million (EUR 12.6 million).

Liquidity and capital resources

NeuroSearch's capital resources include cash and cash equivalents, listed and unlisted securities, unused credit lines on bank credit facilities and guaranteed future payments from GSK under the GSK Agreement.

NeuroSearch maintains cash and cash equivalents to fund the day-to-day cash requirements of the business. NeuroSearch mainly holds cash in DKK and SEK.

Liquidity

As is typical for biopharmaceutical companies, NeuroSearch generates cash from development, licence and partnership agreements, which take the form of up-front payments at the time the agreement is signed, payments relating to certain agreed developmental milestones being met and research payments. The result is that NeuroSearch's cash flow fluctuates significantly from year to year, depending in particular on the timing of milestone payments under existing partner agreements and new agreements being entered into, as well as the status of development programmes financed by NeuroSearch.

Further, NeuroSearch partly finances its operations through the issuance of Shares. To a lesser extent, additional sources of liquidity include government grants, commercial mortgage-backed loans and interest earned on investments.

NeuroSearch's cash flows for each of the years ended 31 December 2004, 2005 and 2006 and for the six months ended 30 June 2006 and 2007 are set forth in the table below.

Table 19: NeuroSearch's cash flows

(DKK millions)	**2006**	**2005**	**2004**	**H1 2007**	**H1 2006**
Cash flow from operating activities	(166.4)	(19.6)	(118.5)	(88.6)	(46.0)
Cash flow from investing activities	(335.5)	(45.1)	(102.0)	69.2	(27.8)
Cash flow from financing activities	365.2	14.2	12.4	9.2	5.3

Cash flow from operating activities

The cash flows from operating activities increased by DKK 98.9 million (EUR 13.3 million) from the year ended 31 December 2004 to the year ended 31 December 2005. This was due to an increase in revenue of approximately DKK 54 million (EUR 7.3 million), an increase in costs of approximately DKK 15 million (EUR 2.0 million) and a decrease in working capital of approximately DKK 43 million (EUR 5.8 million).

The cash flows from operating activities decreased by DKK 146.8 million (EUR 19.7 million) from the year ended 31 December 2005 to the year ended 31 December 2006. This was due to a decrease in revenue of approximately DKK 110 million (EUR 14.8 million), an increase in costs of approximately DKK 54 million (EUR 7.3 million) and a decrease in working capital of approximately DKK 18 million (EUR 2.4 million).

The cash flows from operating activities decreased by DKK 42.6 million (EUR 5.7 million) from the six months ended 30 June 2006 to the six months ended 30 June 2007. This was due to an increase in revenue of approximately DKK 14 million (EUR 1.7 million), an increase in costs of approximately DKK 56 million (EUR 7.5 million) and a decrease in working capital of approximately DKK 3 million (EUR 0.4 million).

Cash flow from investing activities

NeuroSearch's cash flow used to acquire property, plant and equipment was DKK 14.8 million (EUR 2.0 million) in the year ended 31 December 2004, DKK 13 million (EUR 1.7 million) in the year ended 31 December 2005, DKK 12.9 million (EUR 1.7 million) in the year ended 31 December 2006 and DKK 3.6 million (EUR 0.5 million) in the six months ended 30 June 2007. Most of the investments in 2006 were in laboratory equipment and IT equipment.

The Company invested in Atonomics, Sophion Bioscience and NsGene, its associates, in the years ended 31 December 2004, 2005 and 2006. The Company invested DKK 11.8 million (EUR 1.6 million), DKK 17.4 million (EUR 2.3 million) and DKK 2.7 million (EUR 0.4 million), in each of those years, respectively; and the Company invested DKK 5.6 million (EUR 0.8 million) in the six months ended 30 June 2007 in such associates.

NeuroSearch granted convertible loans to Sophion Bioscience and convertible, subordinated loans to NsGene totalling DKK 11.8 million (EUR 1.6 million) in the year ended 31 December 2006 and totalling DKK 1.3 million (EUR 0.2 million) in the six months ended 30 June 2007.

In 2005, 2006 and the six months ended 30 June 2007, NeuroSearch invested DKK 2.1 million (EUR 0.3 million), DKK 2.1 million (EUR 0.3 million) and DKK 2.0 million (EUR 0.3 million), respectively, in ZGene.

In the years ended 31 December 2004 and 2005, NeuroSearch sold shares in Bavarian Nordic which contributed DKK 64.1 million (EUR 8.6 million), and DKK 29.3 million (EUR 3.9 million), respectively.

In the year ended 31 December 2006, NeuroSearch invested DKK 205.6 million (EUR 27.6 million) in Carlsson Research (now NeuroSearch Sweden) to acquire 100 per cent of its share capital.

NeuroSearch invests its free cash in cash equivalents and other financial instruments and draws on them as and when needed. As a result, holdings in securities vary from year to year. During the periods presented, the change was a reduction of DKK 140.8 million (EUR 18.9 million) in the year ended 31 December 2004, a reduction of DKK 42.0 million (EUR 5.6 million) in the year ended 31 December 2005, a reduction of DKK 100.5 million (EUR 13.5 million) in the year ended 31 December 2006 and an increase of DKK 81.6 million (EUR 11.0 million) in the six months ended 30 June 2007.

Cash flow from financing activities

Among other sources of financing, NeuroSearch finances its operations by issuing new Shares, both in connection with equity offerings and, to a lesser extent, in connection with NeuroSearch's warrant programmes. As a result, the Company received capital of DKK 7.4 million (EUR 1.0 million) in the year ended 31 December 2004, DKK 12.3 million (EUR 1.7 million) in the year ended 31 December 2005, DKK 372.7 million (EUR 50.1 million), in the year ended 31 December 2006 and DKK 15.8 million (EUR 2.1 million) in the six months ended 30 June 2007.

NeuroSearch also finances its operations through lease financing. The Company entered into new lease financing for DKK 13.0 million (EUR 1.7 million) in the year ended 31 December 2004, DKK 8.3 million (EUR 1.1 million) in the year ended 31 December 2005, DKK 9.6 million (EUR 1.3 million), in the year ended 31 December 2006 and DKK 2.5 million (EUR 0.3 million) in the six months ended 30 June 2007.

While NeuroSearch obtains new lease financing, it also makes repayments on its outstanding lease financing. Repayments on lease financing totalled DKK 10.0 million (EUR 1.3 million) in the year ended 31 December 2004, DKK 11.9 million (EUR 1.6 million) in the year ended 31 December 2005, DKK 13.4 million (EUR 1.8 million), in the year ended 31 December 2006 and DKK 8.4 million (EUR 1.1 million) in the six months ended 30 June 2007.

Capital resources

At 31 December 2006, NeuroSearch's capital resources totalled DKK 503.6 million (EUR 67.7 million). At 30 June 2007, NeuroSearch's capital resources totalled DKK 354.9 million (EUR 47.7 million).

Contractual obligations

Contingent consideration as a consequence of the acquisition of Carlsson Research (now NeuroSearch Sweden)

The consideration in connection with the acquisition of Carlsson Research, if all milestones are reached, may total up to an estimated SEK 825 million (DKK 660.0 million) (EUR 88.7 million) plus half of any up-front payment should a collaborative agreement on ACR325 be signed. Out of the total consideration, SEK 250 million (DKK 200.0 million) (EUR 26.9 million) was paid at the completion of the transaction on 23 October 2006, partly in cash and partly in Shares. Thereafter NeuroSearch made a payment to the selling shareholders of Carlsson Research of SEK 75 million (DKK 60.0 million) (EUR 8.1 million) in cash in November 2006, after achieving the first success-related milestone, when NeuroSearch started Phase I studies with ACR325.

Consequently, as of 30 June 2007 NeuroSearch is under a contingent obligation to pay consideration of SEK 500 million (DKK 400.0 million) (EUR 53.8 million) that is recognised in the balance sheet as a non-current liability, measured at fair value. This has been illustrated in the table 20.

Table 20: Contingent consideration and book value as of 30 June 2007 under the Carlsson Research Agreement

(In millions)	SEK	DKK	EUR
Remaining contingent consideration[1]	**500**	**400.0**	**53.8**
Initial fair value of remaining consideration		276.4	37.2
Amortisation		7.1	0.9
Currency translation		2.0	0.3
Book value as per 30 June 2007		**285.5**	**38.4**

(1) Excluding the variable milestone payment to the selling shareholders of Carlsson Research should a collaborative agreement on ACR325 be entered into with a third party partner. In that case, 50 per cent of any up-front payment will be paid as an additional milestone to the sellers of Carlsson Research. From an accounting point of view this milestone is not considered a contingent consideration and is thus not recognised as a non-current liability.

The cost of the acquisition of Carlsson Research was the fair value of the agreed consideration paid plus costs directly attributable to the acquisition. As a significant portion of the consideration is conditional on future events, such consideration is recognised to the extent the events are likely (probability above 50 per cent) and the consideration can be reliably measured. As of 30 June 2007 the remaining part of the consideration DKK 285.5 million (EUR 38.4 million) consists of payment obligations, contingent on future events. The future events refer to the above described milestone considerations. For each of the milestones Management has assessed if the milestone event is probable and can be measured reliably.

To the extent that Management has determined that the individual milestone is probable and can be measured reliably, Management has estimated the present value of each of the milestones on the basis of weighted probability to reflect that some uncertainty exists. The present value of future milestone payments has initially been calculated by using a pre-tax interest rate of 3.74 per cent based on the effective yield for a short term government bond. If the future milestone events do not occur or the estimate needs to be revised, goodwill will be adjusted accordingly.

Currency adjustment on the translation of the Company's contingent consideration at the DKK/SEK exchange rate at each balance sheet date is recognised directly in equity under a separate reserve for currency translation.

Other contractual obligations
As of 30 June 2007 NeuroSearch did not have any other significant off-balance sheet obligations.

Table 21: Non-current liabilities and lease obligations as of 30 June 2007

	Payments due by period			
(DKK thousands)	Less than one year	One to five years	More than five years	Total
Non-current debt	5,115	24,167	84,240	113,522
Finance lease obligations	7,311	16,779	-	24,090
Operating lease obligations	874	1,160	-	2,034
Total liabilities	**13,300**	**42,106**	**84,240**	**139,646**

Non-current contractual obligations increased significantly compared to 30 June 2006, mainly due to the contingent consideration recorded in connection with the acquisition of Carlsson Research as described above.

Foreign currency exposure
NeuroSearch is exposed to exchange rate risk. See "Risk factors – Risks related to currency and other financial risks".

NeuroSearch continually assesses whether its payment flows should be hedged by forward currency contracts or similar transactions. As of the Offering Circular Date, NeuroSearch is not a party to any hedging contracts.

8.c. Significant events since 30 June 2007

The following significant events have occurred since 30 June 2007:

- In September 2007, Abbott initiated the second Phase II study with ABT-894 in neuropathic pain.
- In September 2007, NeuroSearch reported the results from the Phase IIb clinical Proof-of-Concept obesity study with tesofensine in 203 patients ("TIPO-1"). Results showed that 24 weeks' treatment with tesofensine resulted in a significant and dose-dependent weight loss. All primary endpoints were met and secondary endpoints were also met. Further, data showed that tesofensine was well-tolerated with an acceptable safety profile.
- In late September NeuroSearch filed an application to initiate Phase III studies with ACR16 for Huntington's disease in Europe.

Except for the foregoing events, no significant changes have occurred in NeuroSearch's financial or trading position since the publication on 22 August 2007 of the interim report for the six months ended 30 June 2007.

8.d. Prospective financial information for 2007

Statement by the Executive Management and the Board of Directors

The Executive Management and the Board of Directors have presented their forecast for 2007 in "Outlook for the year ending 31 December 2007" below. The information was prepared using the accounting policies described in "Part II. Information about NeuroSearch's assets and liabilitites, financial position and results of operations". The prospective financial information was prepared for use herein. The Executive Management and the Board of Directors believe that the material assumptions on which the prospective financial information is based are described in this Offering Circular, and that the assumptions have been consistently applied in the preparation of the information.

The prospective financial information is based on a number of assumptions, some of which are within the Executive Management's and the Board of Directors' control, whilst others are beyond their control. The methods used in the preparation of the prospective financial information and the underlying assumptions on which the information is based are stated in "Outlook for the year ending 31 December 2007" below.

The prospective financial information represents the Executive Management's and the Board of Directors' best estimates of NeuroSearch's revenue, research and development costs, general and administrative expenses and results of operations for the year ending 31 December 2007. The prospective financial information contains forward-looking statements concerning NeuroSearch's financial position that are subject to considerable uncertainty. The actual results may differ materially from those contained in such statements. In addition to the risks addressed in "Outlook for the year ending 31 December 2007" and "Cautionary note regarding forward-looking statements", potential risks and uncertainties comprise, without limitation, those referred to in "Risk factors" in this Offering Circular.

Ballerup, 31 October 2007

Executive Management

Flemming Pedersen

Board of Directors

Asger Aamund	Marianne Philip	Allan Andersen
Torbjörn Bjerke	Jørgen Buus Lassen	Torben Skov
Lars Siim Madsen		

Independent auditor's report

We have examined the prospective financial information for 2007 set out in – "Outlook for the year ending 31 December 2007". The prospective financial information is prepared on the basis of the material assumptions described in "Methodology and assumptions" below on page 62 and the accounting policies described in "Part II. Information about NeuroSearch's assets and liabilitites, financial position and results of operations". The accounting policies applied are in accordance with the recognition and measurement requirements of the International Financial Reporting Standards as adopted by the EU.

The Executive Management and the Board of Directors are responsible for the prospective financial information including the assumptions on which it is based. Our responsibility is, based on our examination, to provide a conclusion on the prospective financial information.

Examination performed
We conducted our examinations in accordance with the international standard applicable to the examination of prospective financial information (ISAE 3400). This standard requires that we plan and perform our examinations in order to obtain limited assurance that the applied assumptions are well founded and do not contain material misstatements and reasonable assurance that the prospective financial information have been prepared on the basis of the assumptions stated consistent with the Company's accounting policies.

Our examinations comprise a review of the prospective financial information for 2007 with a view to assess whether the assumptions set forth by the Board of Directors and the Executive Management are documented, well-founded and complete. In addition, we have tested whether the prospective financial information for 2007 has been prepared on the basis of the Executive Management's and the Board of Directors' assumptions and has been presented in accordance with NeuroSearch A/S's accounting policies. Furthermore, we have tested the relationship in terms of figures in the prospective financial information.

We believe that our examination provides a reasonable basis for our conclusion.

Conclusion
Based on our examination of the evidence supporting the assumptions, nothing has come to our attention which causes us to believe that these assumptions do not provide a reasonable basis for the prospective financial information for 2007. Further, in our opinion the prospective financial information for 2007 has been properly prepared on the basis of the assumptions consistent with the accounting policies of NeuroSearch A/S.

Emphasis of matter
Actual results are likely to be different from the prospective financial information since anticipated events frequently do not occur as expected. The variation may be material.

Copenhagen, 31 October 2007
PricewaterhouseCoopers
Statsautoriseret Revisionsaktieselskab

Mogens Nørgaard Mogensen
State Authorised Public Accountant

Brian Benjamin Staalkjær
State Authorised Public Accountant

Outlook for the year ending 31 December 2007

The prospective financial information for the year ending 31 December 2007 has been prepared on the basis of NeuroSearch's accounting policies, which are in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, and which are described in "Part II. Information about NeuroSearch's assets and liabilities, financial position and results of operations" and the estimates and assumptions described therein. The prospective financial information for the year ending 31 December 2007 is based on a number of assumptions and estimates which, while presented with numerical specificity and considered reasonable by NeuroSearch, are inherently subject to significant business, operational and economic uncertainties, many of which are beyond NeuroSearch's control, and upon assumptions with respect to future business decisions that are subject to change.

Methodology and assumptions

NeuroSearch's prospective financial information for the year ending 31 December 2007 reflects the actual results of operations for the six months ended 30 June 2007 and the Executive Management's and the Board of Directors' estimates and forecasts for the six months ending 31 December 2007. These estimates regarding 2007 have been prepared in accordance with NeuroSearch's normal budgeting procedures.

NeuroSearch's estimate of research and development costs is based on the planned activities for the further development of its candidates. The budget does not include revenue from partnership agreements not yet entered into.

If NeuroSearch elects to accelerate or materially change its planned activities, or if NeuroSearch should receive unbudgeted revenues, this may lead to changes relative to the budgeted results.

Reference is furthermore made to "Risk factors."

Outlook

The prospective financial information is based on the assumption that the Company's strategy will be implemented as planned. The success of this strategy is subject to uncertainties and contingencies beyond the Company's control. On 17 September 2007, the Company announced that it expects a loss for the year ending 31 December 2007 in the range of DKK 230-250 million (EUR 31-34 million) before recognition of associates and other equity interests, as also announced in connection with the release of the interim report for the six months ended 30 June 2007. The Company retains its forecast for 2007 as of the Offering Circular Date.

9. Capital resources

NeuroSearch's capital resources include cash and cash equivalents, listed and unlisted securities, unused credit lines on bank credit facilities and guaranteed future payments from GSK under the GSK Agreement.

As of 30 June 2007, capital resources totalled DKK 354.9 million (EUR 47.7 million), of which cash and cash equivalents and listed and unlisted securities accounted for DKK 295.9 million (EUR 39.8 million), unused credit lines on bank credit facilities accounted for DKK 6.9 million (EUR 0.9 million), and the last payment due under the GSK Agreement accounted for DKK 52.1 million (EUR 7 million).

As of the Offering Circular Date, NeuroSearch's capital resources totalled approximately DKK 219.5 million (EUR 29.5 million), of which cash and cash equivalents and listed and unlisted securities accounted for approximately DKK 143.1 million (EUR 19.2 million), unused credit lines on bank credit facilities accounted for approximately DKK 24.4 million (EUR 3.3 million), and the last payment due under the GSK Agreement accounted for DKK 52.1 million (EUR 7 million). NeuroSearch's capital resources are not subject to restrictions that materially affect or could materially affect NeuroSearch's operations.

NeuroSearch invests its free cash in cash equivalents and other financial instruments in accordance with the investment policy adopted by the Board of Directors on 5 March 2007, and pending use of the proceeds of the Offering, NeuroSearch will invest the proceeds in accordance with the same policy. In particular NeuroSearch invests a significant portion of its cash in fixed-rate securities that Management believes carry minimal risk, but that are nevertheless subject to market risk because they are publicly traded and their price may vary, and to interest rate risk because they may be repurchased by the issuer at regular intervals including based on prevailing interest rates. In addition, NeuroSearch invests a portion of its free cash in variable rate and high-yield instruments, which may include sub-investment grade or unrated bonds. See "Risk factors".

The Company owns the head office property at Pederstrupvej 93, Ballerup which is subject to a mortgage with outstanding debt as of 30 June 2007 of DKK 113.5 million (EUR 15.3 million). As of the Offering Circular Date, the outstanding debt on the mortgage was approximately DKK 111.9 million (EUR 15.0 million). NeuroSearch finances most of its investments in laboratory and IT equipment with finance leases. As of 30 June 2007, the Company had outstanding total debt on finance leases amounting to DKK 24.1 million (EUR 3.2 million). As of the Offering Circular Date, the outstanding debt on finance leases was approximately DKK 21.6 million (EUR 2.9 million). These leases include options to buy the leased assets on expiry of the leases, which NeuroSearch expects to exercise.

Management believes that NeuroSearch's capital resources prior to completion of the Offering are sufficient to cover the current operations of NeuroSearch, at least until the beginning of the second half of 2008, and considers its capital resources to be sufficient to cover all current commitments and liabilities for the same period. Many factors have an impact on whether the funds available to NeuroSearch are sufficient, including the scientific progress in its research and development programmes, the scope of such programmes, NeuroSearch's obligations to existing and new clinical partners, its ability to establish commercial relations and licence arrangements, its investments in non-current assets, market developments, milestone payments in cash to the selling shareholders of Carlsson Research and any future acquisitions NeuroSearch may undertake.

In the future, NeuroSearch expects to continue to generate cash flow from milestone payments, from existing as well as potentially new collaborative partners, future royalty payments and other revenue, if any, as well as capital resources accessed through equity or debt financing, as required.

For a description of NeuroSearch's historic cash flow, see "I.8.b. Review of operations and consolidated financial statements", and for a discussion of risk related to future income, cash flows and financing "Risk factors".

10. Research and development, patents and licences

10.a. Research and development

NeuroSearch is a research and development company, and therefore all its operating costs are incurred to support research and development activities.

Table 22: NeuroSearch's total operating costs

(DKK million)	2006[1]	2005	2004	H1 2007
Research costs	172.3	159.6	140.7	99.0
Development costs	54.8	17.6	21.3	55.3
Administrative expenses	25.9	21.7	22.3	17.9
Total operating costs	253.0	198.8	184.3	172.2

(1) Including NeuroSearch Sweden from 23 October 2006.

For additional information, see "I.8. Review of operations and financial statements".

10.b. Patents and other intellectual property rights

NeuroSearch believes that the protection of its proprietary products and technologies is fundamental to its business prospects. Neurosearch files, prosecutes and maintains patents and patent applications in Europe, in the United States and in other countries where NeuroSearch believes significant market opportunities exist. It is NeuroSearch's policy, in addition to seeking specific composition-of-matter patent protection for its lead and development compounds, also to create a proprietary scope around these compounds by means of claims to particular uses and methods of production and generic patent claims.

NeuroSearch's patenting policy is based largely on three international patent conventions, namely the Paris Convention, the Patent Cooperation Treaty (PCT) and the European Patent Convention (EPC). It is therefore NeuroSearch's general policy to file priority-generating patent applications in Denmark and/or the United States, followed by the filing of an international PCT application claiming priority from the first filed application, recognized in countries that are party to the treaty, including a number of European countries, the United States and Japan (encompassing all the major pharmaceutical markets). Patent applications are subsequently filed with the European Patent Office (EPO) in accordance with the EPC, referred to as European patent applications or European patents, and which usually cover all EPC contracting states (currently Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Monaco, the Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey and United Kingdom) and are frequently accompanied by a request for an extension to one or more of the countries available for such requests (currently Albania, Bosnia & Herzegovina, Croatia, Republic of Macedonia, and Serbia).

As a result of NeuroSearch's general policy, one priority generating patent application may eventually turn into a family of patents and patent applications consisting of a number of equivalent patent applications and patents in different countries, the claims of which cover the same invention and/or compound, or aspects of the same invention and/or compound.

As a result of NeuroSearch's patenting strategy, it owns an increasing number of patents and patent applications, as of the Offering Circular Date in excess of 1,900, which includes more than 950 issued patents. NeuroSearch's patent portfolio is derived from more than 240 patent families, of which approximately 35 (consisting of Danish and US priority-establishing patent applications) have been filed within the last twelve months.

The issued patents include more than 100 patents in the United States and more than 600 national patents in Europe (derived from approximately 80 issued European patents). In addition, 17 patents have issued in Japan. NeuroSearch has also received notices of allowance of seven applications in the United States and three European patent applications. Generally, the duration

of a patent is 20 years from the date of filing of the application. In certain countries - and subject to certain conditions - patent protection may be extended for up to five additional years following successful application for a Supplementary Protection Certificate (SPC), or other form of patent term extension.

In accordance with the provisions of the Danish Act on Inventions of Employees, all of the Company's employees are under an obligation, at the request of the Company, to assign their rights to inventions to the Company in respect of inventions made within the course of their employment with the Company. Pursuant to this legislation, the Company may be required to make a compensatory payment to an employee in respect of the transfer of the proprietary right to an invention. To date, the Company has not received any claim for compensatory payment from any employee. In accordance with the provisions of the Swedish Act on the Right to Employee Inventions, NeuroSearch Sweden is entitled to acquire the proprietary rights to inventions made by their employees during the course of their employment with NeuroSearch Sweden. NeuroSearch Sweden is regulated by collective bargaining agreements, which *inter alia*, deal with inventions. The agreements state that "reasonable compensation" shall be given any inventor employed by a company, whereby the inventor's position in that company, education, salary, and other compensations shall be considered.

NeuroSearch has never been involved in any patent litigation proceedings in respect of any of its patents or any third party patent.

NeuroSearch' core patent rights

NeuroSearch considers its rights in patents and patent applications relating to ACR16, tesofensine, NS2359 and NS1209 to be core intellectual property rights. NeuroSearch also considers the rights in patents and patent applications relating to ABT-894 to be core intellectual property rights. All patents and patent applications relating to ABT-894 are owned by Abbott, subject to the licence agreement with Abbott. See "I.19.b. Significant collaborative and licence agreements".

ACR16

ACR16 is covered by patents and patent applications with composition-of-matter claims and claims to various uses including schizophrenia and movement disorders. To date, more than 40 patents have been granted, including a European patent and a US patent. Subject to regular maintenance, and absent any patent term extensions, patents will start expiring in 2020.

A family of patents and patent applications on a process for producing ACR16 was filed in 2004. Pending successful examination and subject to regular maintenance, and absent any patent term extensions, patents in this family will start expiring in 2025.

Tesofensine

Tesofensine is covered by patents granted in the United States, Europe, Japan and many other countries with composition-of-matter claims and claims to various uses, including obesity. Subject to regular maintenance, and absent any patent term extensions, patents will start expiring in 2017.

Patent applications covering additional uses of tesofensine, including the use of tesofensine for obtaining a sustained weight loss, have been filed. Pending successful examination and subject to regular maintenance, and absent any patent term extensions, patents will start expiring in 2025.

See also section "I.19.b. Significant collaborative and licence agreements" for a description of the termination agreement with Boehringer Ingelheim which defines intellectual property rights with respect to tesofensine.

NS2359

NS2359 is covered by patents granted in the United States, Europe, Japan and many other countries with composition-of-matter claims and claims to various uses, including depression and ADHD. Subject to regular maintenance, and absent any patent term extensions, patents will start expiring in 2017.

Patent applications directed to specific salt forms of NS2359 have been filed. A European patent has issued, and applications are pending in a number of European countries, the United States and Japan. Subject to regular maintenance, and absent any patent term extensions, the patents will start expiring in 2024. NeuroSearch has out-licensed the rights to NS2359 to GSK under the GSK Agreement. See "I.19.b. Significant collaborative and license agreements".

NS1209
NS1209 is covered by patents and patent applications with composition-of-matter claims. Patents have been granted, including in the United States and in certain European countries. Subject to regular maintenance, and absent any patent term extensions, patents with composition-of-matter claims on NS1209 will start expiring in 2017.

Additional patent applications for three different families covering methods of production for NS1209, for obtaining enantiopure forms of NS1209, and for improving the blood-brain-barrier penetration of NS1209 have been filed. Pending successful examination and subject to regular maintenance and absent any patent term extensions, patents will start expiring in 2019, 2023 and 2027, respectively.

Other patents and patent applications
It is NeuroSearch's policy to secure intellectual property rights world-wide to products and techniques gained from its research and development activities, to the extent it believes the products or techniques may have commercial value. As a result of this policy, whenever possible, NeuroSearch has also filed patent applications relating to its early drug discovery and development programmes as described below. The patents and patent applications relating to ABT-107 and ABT-560 are owned by Abbott.

ACR325
ACR325 is covered by patents and patent applications with generic composition-of-matter claims and claims to various uses, including schizophrenia and movement disorders. Applications have been filed in 25 separate countries/regions, and patents have issued in certain countries. Subject to regular maintenance, and absent any patent term extensions, patents will start expiring in 2020.

Subsequent to the acquisition of Carlsson Research (now NeuroSearch Sweden), it was discovered that certain references (i.e., prior art) had not been disclosed to the United States Patent and Trademark Office (USPTO) in the prosecution of the application that issued as the US patent pertaining to the generic composition-of-matter claims relating to ACR325 and ACR343, and NeuroSearch therefore filed a reissue application to include the references and to amend the claims. The Company believes that the re-issue application should issue after a processing period of 2-3 years; however, there can be no assurance that the reissue application will be deemed patentable by the USPTO and thus be allowed to issue, or that the processing period will not be longer (see "Risk Factors - risks relating to intellectual property rights").

ACR325 is also covered by a family of patent applications filed in 2004 that include specific composition-of-matter claims and claims to various uses. Applications have been filed in 18 countries/regions, including the United States, but no patents have yet issued. Pending succesful examination and subject to regular maintenance, and absent any patent term extensions, patents will start expiring in 2025.

Since 2004, NeuroSearch has filed patent applications covering a process for producing ACR325 in ten countries/regions, but no patents have yet issued. Pending successful examination and subject to regular maintenance, and absent any patent term extension, patents will start expiring in 2025.

ACR343
ACR343 is covered by the same patents and patent applications with generic composition-of-matter claims that cover ACR325 (see discussion above). Subject to regular maintenance, and absent any patent term extensions, patents will start expiring in 2020.

As discussed above, the Company believes that the US re-issue application pertaining to ACR343 and ACR325 should issue after a processing period of two to three years; however, there can be no assurance that the reissue application will be deemed patentable by the USPTO and thus be allowed to issue, or that the processing period will not be longer (see "Risk Factors - risks relating to intellectual property rights").

ACR343 is also covered by a family of patent applications filed in 2005, having specific composition-of-matter claims and claims to various uses. An international application has been filed and is in its international phase. In 2007, a patent was issued in Sweden, whilst applications in the other countries/regions are pending. Subject to regular maintenance, and absent any patent term extensions, patents will start expiring in 2026.

NSD-644

NSD-644 and various aspects relating to this compound are covered by three patent families dating back to 1997. A European patent with composition-of-matter claims covering NSD-644 has issued, and an application has been allowed in the United States. Subject to regular maintenance, and absent any patent term extensions, patents will start expiring in 2021.

Also in 2005, a family of patent applications covering a key intermediate used in the synthesis of NSD-644 was established. However, no patents have yet been granted. Pending successful examination and subject to regular maintenance, and absent any patent term extensions, patents will start expiring in 2026.

NSD-708

NSD-708 is covered by a family of patent applications filed in 2005. A PCT application has been filed and is in its international phase; no patents have yet issued. Pending successful examination and subject to regular maintenance, and absent any patent term extensions, patents will start expiring in 2026.

NSD-788

NSD-788 is covered by a family of patent applications filed in 2004. The family is pending in countries representing major markets, but no patents have yet issued. Pending successful examination and subject to regular maintenance, and absent any patent term extensions, patents will start expiring in 2025.

NSD-683

NSD-683 is covered by a family of patent applications filed in 2005. An international application has been filed and is in its international phase; no patents have yet issued. Pending successful examination and subject to regular maintenance, and absent any patent term extensions, patents will start expiring in 2026.

NSD-503

NSD-503 is covered by patent applications filed in a large number of countries including a number of European countries, the United States and Japan. No such patents have yet issued. Pending successful examination and subject to regular maintenance, and absent any patent term extensions, patents will start expiring in 2024. A family of patent applications covering various uses of NSD-503, including the use of NSD-503 for the treatment of conditions such as obstructive or inflammatory airway diseases and, in particular COPD, has also been filed. Pending successful examination and subject to regular maintenance, and absent any patent term extensions, patents will start expiring in 2025.

NSD-726

NSD-726 is covered by a family of patents and patent applications filed in 2002. A patent has been granted in the United States, and a European and a Japanese patent application are still pending. Subject to regular maintenance, and absent any patent term extensions, patents will start expiring in 2023.

NSD-721

NSD-721 is covered by a family of patent applications filed in 2006 that has not yet been published and is still in its international phase. Pending successful examination and subject to regular maintenance, and absent any patent term extensions, patents will start expiring in 2027.

NSD-761

NSD-761 is covered by a family of patent applications filed in 2006 that has not yet been published and that is still in its international phase. Pending successful examination and subject to regular maintenance, and absent any patent term extensions, patents will start expiring in 2027.

GABA receptor modulators

NeuroSearch has synthesised a series of compounds active as GABA receptor modulators and has established 17 patent families within this field. Ten US patents and five European patents have been granted. A European patent application has been allowed.

Potassium channel modulators (SK, KCNQ, and hERG channel modulators)

NeuroSearch's SK programme is covered by 24 patent families. Nine US patents and five European patents have issued. NeuroSearch's KCNQ programme is covered by seven patent families. Two patents have issued in the United States and three in Europe. A US patent application has been allowed. The concept of using hERG channel activators for the treatment of cardiac diseases is covered by patents and patent applications filed in 2003. Patent applications are pending in a number of European countries, the United States and Japan. No patents have yet issued.

Neuronal-nicotinic receptor (NNR) modulators

All compounds resulting from NeuroSearch's nicotinic receptor programme are covered by 51 patent families. A significant portion of these patent applications are still pending in countries representing major pharmaceutical markets. So far, 19 US patents and 19 European patents have issued (and one European application and four US applications have been allowed).

Mixed monoamine re-uptake inhibitors (MMRI)

NeuroSearch owns several patent families directed to certain compounds showing MMRI activity. To date, 14 US and 11 European patents have been granted. A number of applications are still pending. In addition, 13 priority-establishing applications derived from seven families are pending.

Dopaminergic stabilisers

NeuroSearch's program directed to dopaminergic stabilisers is covered by 11 patent families. Most of these patent applications are still pending in countries representing major pharmaceutical markets. So far, two US patents and one European patent have been granted.

Certain registered trademarks NeuroSearch owns the following trademarks:

- NEUROSEARCH (registered in Denmark, the United States and as a European Union community trademark)
- NEUROPATCH (registered in Denmark)
- TRILOXETINE (registered in Denmark)
- WEBCHEMBIO (registered in Denmark)
- POSEIDON PHARMACEUTICALS (registered in Denmark, the United States, Switzerland, Germany, France and the United Kingdom)

11. Trend information

NeuroSearch is a research-based business focusing on the development of new drugs. NeuroSearch does not have any in-house production facilities or operations and does not yet have any drugs on the market. Consequently, NeuroSearch is not directly affected by new trends within production.

There is a continuous focus on reducing the rate of increase in health care costs, which has resulted in price pressure in recent years within certain areas of the pharmaceutical market. Management expects this trend to be unchanged in the years ahead. However, Management believes that demographic developments, increased treatment penetration, especially in newly industrialised countries, and better diagnostic tools will result in continuing high growth in global drug sales.

12. Board of Directors, Executive Management and other key personnel

12.a. Board of Directors

The Board of Directors has the overall responsibility for the management of the Company and supervises the Executive Management. The Board of Directors determines the Company's policies as regards business strategy, organisation, accounting and finance, and the Board of Directors appoints the Company's Chief Executive Officer. The Board of Directors consists of seven members, including two members elected by the employees:

Asger Aamund (born 1940, Danish citizen, A. J. Aamund A/S, Amaliegade 14, DK-1256 Copenhagen K, Denmark) is one of the Company's co-founders and has served as Chairman of the Board of Directors since May 1989. Mr. Aamund is President and Chief Executive Officer of A.J. Aamund A/S, an industrial holding company with interests in pharmaceutical research and development and medical appliances. For more than 25 years, he has held various senior positions within the biotech and pharmaceutical industries. Mr. Aamund is chairman of the board of Bavarian Nordic A/S. He also serves on the boards of A.J. Aamund A/S, Modern Times Group MTG AB, Stockholm, and the Danish division of World Wildlife Fund. Mr. Aamund is also chairman of BankInvest's Advisory Board for Biotechnology. Within the past five years, he has been a board member of Henning Larsen A/S, Henning Larsens Tegnestue A/S, DMT2 A/S, Investeringsforeningen Gudme Raaschou Health Care, Bergsøe 4 A/S and Nowaco Group A/S. Within the past five years, he has also been chairman of Modern Times Group MTG A/S, Tele2 A/S, Neurotech A/S and Radio Classic A/S. As of the Offering Circular Date, Mr. Aamund holds, personally and through A.J. Aamund A/S, 637,952 Shares and 4,342 warrants in the Company.

Marianne Philip (born 1957, Danish citizen, Kromann Reumert, Sundkrogsgade 5, DK-2100 Copenhagen Ø, Denmark) joined the Board of Directors in April 2006 and is the Deputy Chairman. Ms. Philip is an attorney and partner of the Danish law firm Kromann Reumert. She is chairman of A.J. Aamund A/S, Bisca Holding A/S, U.D. Group A/S and Gerda og Victor B. Strands Fond/Toms Gruppens Fond and serves on the boards of Aktieselskabet af 1. januar 1987, Brenntag Nordic A/S, Brenntag Nordic Holding AB, Brenntag Nordic AB, Brenntag Nordic Investment AB, Brenntag Nordic AS, ProActive Holding A/S, ProActive Innovation A/S, K/S Jægersborg Ejendomsselskab, Klinger Danmark A/S, Investeringsforeningen Nordea Invest, Investeringsforeningen Nordea Invest Special, Investeringsforeningen Nordea Invest Engros, Investeringsforeningen Nordea Invest Bolig, Placeringsforeningen Nordea Invest, Fåmandsforeningen Nordea Invest, Investeringsforeningen Nordea Invest Kommune, Fåmandsforeningen Nordea Link, Fåmandsforeningen Nordea Liv og Pension, Fåmandsforeningen Vækstpension, Fåmandsforeningen Nordea Invest Valg, Fåmandsforeningen Institutionel Investor, Fåmandsforeningen Pen-Sam Invest, Nordea Invest Fund Management A/S, Ferdinand Andersens Legat, Emma og Vilhelm Mannheimers Legat, Ingrid Zacharias' Fond, Bergsøes Legat, Bergsøes Fond, Merla Art Foundation, Gerald Foundation, Vaduz, OD Fonden, Hedgeforeningen Nordea Invest and Langebæk Logistik A/S. She is a member of the executive boards of Henning Sørensen Holding ApS, Tonny Caspersen Holding ApS, Preben Herrestrup Holding ApS, Henrik Storm Jørgensen Holding ApS, Günther Iwersen Holding ApS, Erik Lund Holding ApS, Lars Kallestrup Holding ApS and Arcadia Group (Denmark) ApS. Within the past five years, Ms. Philip has been a member of the executive boards of Aage Larsen Holding ApS and SCSK 5068 ApS and chairman of KSSA Holding A/S, KSSA Invest A/S, KSSA Ejendomme A/S, Contifood Smith & Son AB, Sehested Holding Company A/S, Sehested Investment A/S and Sehested A/S and has served on the boards of Bacardi-Martini Danmark A/S, Brenntag Biosector A/S, Transys Danmark A/S, Irwin Industrial Tool Company A/S, Proactive A/S and Robinson Webster (Denmark) A/S. As of the Offering Circular Date, Marianne Philip holds no Shares, but 2,000 warrants in the Company.

Torbjörn Bjerke (born 1962, Norwegian citizen, Biolipox AB, Berzelius väg 3, plan 5, S-171 65 Solna, Sweden), MD, joined the Board of Directors in April 2006. Since January 2004, Dr. Bjerke has held the position of President and Chief Executive Officer of the Swedish biopharmaceutical company Biolipox AB. From 1999 to 2004, he served as Executive Vice President, Research and Development, in ALK-Abelló A/S, and he has more than ten years' experience from senior positions in the pharmaceutical industry. Dr. Bjerke serves on the boards of Action Pharma A/S, DBV Technologies S.A., Action Pharma Holding I A/S and TopoTarget A/S and is a member of the executive board of TBIOTECH ApS. Within the past five years, he has been a board member of Action Pharma ApS, Selskabet af 20.02.2002 ApS and Action Inflammation ApS. As of the Offering Circular Date, Dr. Bjerke holds no Shares, but 2,000 warrants in the Company.

Allan Andersen (born 1945, Danish citizen, Freja Ejendomme A/S, Nørregade 40, 2nd floor, DK-1240 Copenhagen K, Denmark) has been a member of the Board of Directors since May 1990. Mr. Andersen is managing director of Freja Ejendomme A/S and a member of the executive boards of A & M Invest ApS and AA Consult ApS and serves on the boards of Connectia A/S, Actics ApS and Actics Ltd. Within the past five years, Mr. Andersen has been a member of the boards of PBI-Holding A/S, Glunz & Jensen A/S, Kærup Erhvervspark A/S, Kærup Gods A/S, PBI Holding, Ringsted A/S and Fonden Det Økologiske Inspirationshus. He has more than 30 years' experience from senior positions with Danish companies. As of the Offering Circular Date, Mr. Andersen holds 16,133 Shares and 4,342 warrants in the Company.

Jørgen Buus Lassen (born 1934, Danish citizen, NeuroSearch, Pederstrupvej 93, DK-2750 Ballerup, Denmark), DVM, is one of the Company's co-founders and was its President and Chief Executive Officer from May 1989 to April 2006. Dr. Buus Lassen has more than 25 years' experience in neuropharmacology. From 1980 to 1988 he was managing director of the research and development division of Ferrosan A/S and has held several other senior positions in research and development of drugs. He has authored or co-authored more than 30 publications, including the first paper published on the antidepressant Paxil (paroxetine). Dr. Buus Lassen is chairman of NSGene A/S and Investeringsforeningen Gudme Raaschou Health Care and a member of the boards of Pharmexa A/S, Investeringsforeningen Gudme Raaschou, Effector Communications A/S, Effector Holding A/S, Effector Nordic A/S and NicOx S.A. Within the past five years, Dr. Buus Lassen has served on the boards of Bavarian Nordic A/S and Zealand Pharma A/S. As of the Offering Circular Date, Dr. Buus Lassen holds 93,390 Shares and 6,342 warrants in the Company.

Torben Skov (born 1967, Danish citizen, NeuroSearch, Pederstrupvej 93, DK-2750 Ballerup, Denmark) joined the Board of Directors in May 2004 after being nominated by the employees of the Company. Mr. Skov works with chemical synthesis and has been employed by the Company since September 2000 as a laboratory technician. Prior to joining NeuroSearch, Mr. Skov was a laboratory technician at Leo Pharma A/S. He has not been a director or officer or a member of the supervisory bodies of other companies during the past five years. As of the Offering Circular Date, Mr. Skov holds 810 Shares and 6,595 warrants in the Company.

Lars Siim Madsen (born 1970, Danish citizen, NeuroSearch, Pederstrupvej 93, 2750 Ballerup, Denmark) joined the Board of Directors in May 2004 after being nominated by the employees of the Company. Dr. Madsen has been employed by the Company since July 2000. He holds a Ph.D. and is Vice President, Head of Project Matrix Group. Dr. Madsen has not been a director or officer or a member of supervisory bodies of other companies during the past five years. As of the Offering Circular Date, Dr. Madsen holds no Shares, but 15,269 warrants in the Company.

12.b. Executive Management

The Executive Management of NeuroSearch consists of five members, whose names, years of birth and positions are set out in the table below.

Table 23: Executive Management of NeuroSearch

Name	Year of birth	Position
Flemming Pedersen(1)	1965	Chief Executive Officer
Frank Wätjen	1952	Executive Vice President, Director of Drug Development
Jørgen Drejer	1955	Executive Vice President, Director of Drug Discovery
Dieter Meier	1955	Executive Vice President, Chief Medical Officer
Finn Eggert Sørensen	1954	Executive Vice President, Chief Business Officer

(1) Mr. Pedersen is the only member of the Executive Management registered as such with the Danish Commerce and Companies Agency.

Flemming Pedersen (born 1965, Danish citizen, NeuroSearch, Pederstrupvej 93, DK-2750 Ballerup, Denmark), M.Sc., Chief Executive Officer, joined the Company in August 2000 and was appointed to the Executive Management as Chief Financial Officer in June 2001. Mr. Pedersen was appointed Chief Executive Officer in April 2006. Prior to joining NeuroSearch, Mr. Pedersen served as group finance manager in Maersk Medical, and he has 18 years' experience in business

administration, finance and management. Mr. Pedersen is chairman of Sophion Bioscience A/S, Azign Bioscience A/S and Atonomics A/S, he is manager of Naapster ApS and a member of the boards of Bavarian Nordic A/S, MB IT Consulting A/S and Astion Pharma A/S. He was chairman of ZGene A/S from 2001 to 2006, and within the past five years has served on the boards of Neurocon ApS and Neurodan A/S. As of the Offering Circular Date, Mr. Pedersen holds 4,905 Shares and 52,564 warrants in the Company.

Frank Wätjen (born 1952, Danish citizen, NeuroSearch, Pederstrupvej 93, 2750 Ballerup, Denmark), Ph.D., Executive Vice President, Director of Drug Development, is one of the Company's co-founders. Prior to being appointed Executive Vice President, Director of Drug Development in October 2000, Dr. Wätjen served as Director of the Chemistry Department from May 1989. He has more than 20 years' experience in medicinal chemistry and is named as inventor in more than 40 US patents. He has not been a director or officer or a member of the supervisory bodies of other companies during the past five years. As of the Offering Circular Date, Dr. Wätjen holds 20,159 Shares and 27,601 warrants in the Company.

Jørgen Drejer (born 1955, Danish citizen, NeuroSearch, Pederstrupvej 93, DK-2750 Ballerup, Denmark), Ph.D., Executive Vice President, Director of Drug Discovery, is one of the Company's co-founders. He has served as Director of Cell Biology since 1989 and as Executive Vice President with responsibility for the Drug Discovery Division since 2000. Dr. Drejer holds a Ph.D. in neurochemistry and has more than 20 years' experience in neuroscience research. He has authored or co-authored more than 80 publications. Jørgen Drejer is a member of the boards of Medicult A/S, Atonomics A/S, Azign Bioscience A/S and NsGene A/S. Dr. Drejer was an employee-elected member of the Company's Board of Directors from 1990 to 2004. As of the Offering Circular Date, Dr. Drejer holds 39,540 Shares and 27,953 warrants in the Company.

Dieter Meier (born 1955, German citizen, NeuroSearch, Pederstrupvej 93, 2750 Ballerup, Denmark), M.D., Ph.D, MBA, Executive Vice President, Chief Medical Officer, joined the Company as Medical Director in January 2006 and is responsible for all of the Company's clinical development activities and became a member of the Executive Management on 25 April 2007. Dr. Meier is a neurologist with more than 15 years' international experience in drug development, primarily in CNS diseases, up to registration in Europe and the United States. Prior to joining the Company, Dr. Meier was employed with Johnson & Johnson as Director of Clinical Drug Evaluation from 2002 to 2006. Dr. Meier has held positions in different areas of responsibility in international pharmaceutical companies, including Sandoz and Boehringer Ingelheim where he was employed as the Therapeutic Area Head for CNS and General Medicine from 1999 to 2002. He has not been a director or officer of other companies during the past five years except that he is currently a member of the supervisory body of the KKS (Koondiniennengs Klinische Studien), a company related to the University of Tülingen, Germany. As of the Offering Circular Date, Dr. Meier holds no Shares, but 31,709 warrants in the Company.

Finn Eggert Sørensen (born 1954, Danish citizen, NeuroSearch, Pederstrupvej 93, 2750 Ballerup, Denmark), M.Sc., Executive Vice President, Chief Business Officer, joined the Company in March 1999. He was promoted to Director of Business development, licensing, legal, patents and competitive intelligence in October 2000 and to Executive Vice President, Director of Business Development in April 2004. Mr. Sørensen has extensive experience from various senior positions within research and development, project management, marketing, licensing and business development in the pharmaceutical industry. He is chairman of ZGene A/S and has within the past five years been a board member of Proteotarget ApS. As of the Offering Circular Date, Mr. Sørensen holds no Shares, but 32,050 warrants in the Company.

12.c. Other key personnel

Palle Christophersen (born 1958, Danish citizen, NeuroSearch, Pederstrupvej 93, 2750 Ballerup, Denmark). Ph.D., Vice President, Director of In vitro Pharmacology, joined the Company in June 1991. Dr. Christophersen was appointed Director of In vitro Pharmacology in 2004. He is a biologist by education, specialising in ion channel electrophysiology. Dr. Christophersen has been Project Manager for ion channel programmes and he was involved in the development of the automated electrophysiology platform, NeuroPatch (now marketed under the name QPatch 16 by Sophion Bioscience A/S). Dr. Christophersen has authored or co-authored 43 articles and 28 patents in the field of ion channel physiology/pharmacology. He has not been a director or officer or a member of the supervisory bodies of other companies during the past five years. As of the Offering Circular Date, Mr. Christophersen holds 97 Shares and 15,769 warrants in the Company.

Hanne Leth Hillman (born 1965, Danish citizen, NeuroSearch, Pederstrupvej 93, 2750 Ballerup, Denmark), M.Sc. (International Business and Finance), Vice President, Director of Investor Relations and Corporate Communications, joined the Company in 2006 as Director of Investor Relations and Corporate Communications with overall responsibility for communication, including Investor Relations and Public Relations. Prior to joining NeuroSearch, Ms. Hillman held a similar position as Director of Investor Relations in TopoTarget A/S from 2005 to 2006. She has worked for more than 11 years with the biotech industry and equity markets in the financial sector, and she has more than ten years' experience as an equity analyst covering the biotech and pharmaceutical industries. She has not been a director or officer or a member of the supervisory bodies of other companies during the past five years. As of the Offering Circular Date, Ms. Hillman holds no Shares, but 11,000 warrants in the Company.

Lars Siim Madsen (born 1970, Danish citizen, NeuroSearch, Pederstrupvej 93, 2750 Ballerup, Denmark). See a description of Mr. Madsen in "I.12.a. Board of Directors".

Anita Milland (born 1968, Danish citizen, NeuroSearch, Pederstrupvej 93, 2750 Ballerup, Denmark), Vice President, Chief Financial Officer. Ms. Milland holds a diploma in specialised business studies and joined the Company in September 1997 as head of accounting. She was appointed Head of Finance in January 2000 and Chief Financial Officer in April 2006. Ms. Milland has more than 15 years of experience in finance and other administrative functions. She has not been a director or officer or a member of the supervisory bodies of other companies during the past five years. As of the Offering Circular Date, Ms. Milland holds 1,216 Shares and 15,391 warrants in the Company.

Naheed Mirza (born 1966, British citizen, NeuroSearch, Pederstrupvej 93, 2750 Ballerup, Denmark), Ph.D., Vice President, Director In vivo Pharmacology, joined the Company in September 2000 and was appointed Director of In vivo Pharmacology in September 2003. As project manager, Dr. Mirza has been involved in the evaluation of substances with the potential as drug candidates in various CNS programmes. He received his Ph.D. on the role of nicotinic receptors in cognition in 1996 from the Institute of Psychiatry, University of London, United Kingdom. Dr. Mirza has authored or co-authored 28 original articles, patents or book chapters in the fields of biology and social/health care. He has extensive industrial experience in psychopharmacology, including preclinical CNS models. He has not been a director or officer or a member of the supervisory bodies of other companies during the past five years. As of the Offering Circular Date, Dr. Mirza holds no Shares, but 18,323 warrants in the Company.

Jette Møllmann (born 1946, Danish citizen, NeuroSearch, Pederstrupvej 93, 2750 Ballerup, Denmark), Attorney-at-Law, Vice President, Director of Legal Affairs, joined the Company as Head of Legal Affairs in September 2000. She was appointed Director of Legal Affairs in November 2001. Jette Møllmann has extensive industrial experience, including more than 20 years in senior management and advisory positions related to the pharmaceutical and biotechnology industries. She has not been a director or officer or a member of the supervisory bodies of other companies during the past five years. As of the Offering Circular Date, Ms. Møllmann holds no Shares, but 11,354 warrants in the Company.

Dorthe Filtenborg Olesen, (born 1965, Danish citizen, NeuroSearch, Pederstrupvej 93, 2750 Ballerup, Denmark), Ph.D., Vice President, Director of CMC, joined the Company in September 2000. Dr. Olesen holds a Master's degree in Pharmacy from the University of Copenhagen, Faculty of Pharmaceutical Sciences, and focused on characterisation of chemical entities during her Ph.D. She has a broad experience in analytical sciences. She is responsible for out-sourcing all GMP manufacturing activities for both drug substances and drug product. She has not been a director or officer or a member of the supervisory bodies of other companies during the past five years. As of the Offering Circular Date, Ms. Filtenborg Olesen holds 1 Share and 10,932 warrants in the Company.

Dan Peters (born 1961, Swedish citizen, NeuroSearch, Pederstrupvej 93, 2750 Ballerup, Denmark), Ph.D., Vice President, Director of Medicinal Chemistry, joined the Company in September 1991. Dr. Peters was appointed Head of Medicinal Chemistry in February 1997. As project manager, he has been involved in the synthesis and evaluation of a large number of substances with the potential as drug candidates and also has extensive experience in the synthesis of drug substances from previous positions. Dr. Peters has authored or co-authored 67 patents and 28 original articles in the field of chemistry and

biology. He has not been a director or officer or a member of the supervisory bodies of other companies during the past five years. As of the Offering Circular Date, Dr. Peters held no Shares, but 16,269 warrants in the Company.

Robin Sparks (born 1950, British citizen, NeuroSearch, Pederstrupvej 93, 2750 Ballerup, Denmark), Ph.D., Vice President, Head of Preclinical Development, joined the Company in August 1996 as Head of Preclinical Development. He has more than 25 years of experience in drug development and was formerly Senior Scientist and then Section Head for 15 years in the Division of Drug Safety Evaluation, GlaxoWellcome (formerly Wellcome), UK. He has been responsible for, and actively involved in, the safety evaluation and registration of all compounds in development at NeuroSearch since joining the Company. He was appointed Vice President in 2007. He has not been a director or officer or a member of the supervisory bodies of other companies during the past five years. As of the Offering Circular Date, Dr. Sparks holds 65 Shares and 7,842 warrants in the Company.

Daniel Brunicardi Timmermann (born 1973, Danish citizen, NeuroSearch, Pederstrupvej 93, 2750 Ballerup, Denmark), Ph.D., Vice President, Director of Ion Channel Therapeutics, joined the Company in 2001 as a specialist in the area of ion channel function and electrophysiological techniques. As project manager of a number of research projects, Dr. Timmermann has been involved in both target validation and pharmacological substance evaluation on various ion channel targets. This work has led to the implementation of new technologies as well as identification of pre-clinical development compounds. Dr. Timmermann has authored or co-authored 22 patents and 10 scientific articles and was appointed Vice President, Director of Ion Channel Therapeutics as of January 2007. He has not been a director or officer or a member of the supervisory bodies of other companies during the past five years. As of the Offering Circular Date, Mr. Timmermann holds no Shares, but 10,720 warrants in the Company.

Thomas Varming, (born 1966, Danish citizen, NeuroSearch, Pederstrupvej 93, 2750 Ballerup, Denmark), Ph.D., Vice President, Head of R&D Administration, joined the Company in 1993. Dr. Varming was appointed Head of Research Administration in 2001 and Head of R&D Administration in January 2007. He is a pharmacologist by education, specialising in ion channel electrophysiology and pharmacology, and has authored or co-authored 19 articles and patents in that field. In his current position, Dr. Varming is responsible for management of the GSK Agreement and of NeuroSearch's R&D review process, among other duties. He has not held any offices as a member of the board of directors, executive management or supervisory bodies of other companies during the past five years. As of the Offering Circular Date, Dr. Varming holds no Shares, but 12,512 warrants in the Company.

Peder Velling (born 1955, Danish citizen, NeuroSearch, Pederstrupvej 93, 2750 Ballerup, Denmark), MSc (Pharm), Vice President, Head of Patent Department, joined the Company in August 1997 when he took up the position as Head of Patent Department. As Head of Patent Department Mr. Velling is responsible for aligning the patent strategies for the protection of NeuroSearch's assets with the business of NeuroSearch and for general prosecution of the Company's patent portfolio. Mr. Velling is a substitute board member of K/S Wellingborough. As of the Offering Circular Date, Mr. Velling holds no Shares, but 12,098 warrants in the Company.

Nicholas Waters (born 1962, British citizen, NeuroSearch Sweden, Arvid Wallgrens Backe 20, 413 46 Gothenburg, Sweden), Ph.D., Chief Executive Officer and Chief Scientific Officer of NeuroSearch Sweden, co-founder of Carlsson Research (now NeuroSearch Sweden). Between 1994 and 2000, Dr. Waters worked as Senior Scientist in Professor Arvid Carlsson's research group at the Department of Pharmacology, Göteborg University. In 1996, he received the Swedish Brain Foundation Award. In 2000, Dr. Waters became Director of Pharmacology at NeuroSearch Sweden. Since 2002, he has been the Chief Scientific Officer at NeuroSearch Sweden and as of 2006 also its CEO. Dr. Waters holds a Ph.D. in Pharmacology from the Department of Pharmacology, Göteborg University. Dr. Waters is a substitute board member in NeuroSearch Sweden and NeuroSearch Sweden Service AB. In 2007 he was elected a board member of SwedenBIO, the Swedish Biotechnology Industry Organization. Dr. Waters has not been a director or and officer or equivalent in other companies during the past five years. He is part of the management team of NeuroSearch in the capacity of CEO and CSO of NeuroSearch Sweden. As of the Offering Circular Date, Mr. Waters holds 22,879 Shares and 11,500 warrants in the Company.

12.d. Statement of past activities of the Board of Directors and the Executive Management

During the past five years, none of the persons on the Board of Directors and Executive Management nor any other key employees have (i) been convicted of fraudulent offences or (ii) been the object of public prosecution or sanctions by supervisory authorities or been disqualified from acting as a member of an issuer's management, board of directors or supervisory body or being in charge of an issuer's management or other affairs.

Apart from Asger Aamund, Marianne Philip and Torbjörn Bjerke, none of the persons on the Board of Directors and Executive Management nor any other key employees have been members of the management or the board of directors, or have been founders or senior employees of companies which have commenced insolvency proceedings or other forms of receivership, entered into a composition with creditors which is not binding on individual creditors, or entered into solvent liquidation, although Asger Aamund was chairman of Radio Classic A/S, which entered into solvent liquidation on 29 October 2004; Marianne Philip was a member of the executive board of SCSK 5068 ApS, which entered into solvent liquidation on 7 February 2005 and a member of the board of Robinson Webster (Denmark) A/S, which entered into solvent liquidation on 16 April 2003; and Torbjörn Bjerke has been a board member of Selskabet af 20.02.2002 ApS, which was taken into compulsory dissolution on 22 August 2007.

12.e. Conflicts of interest

None of the persons on the Board of Directors and Executive Management nor any other key employees have conflicts of interest with respect to their duties in NeuroSearch. There are no family ties amongst these persons.

All board members apart from the employee representatives were elected at the Company's annual general meeting in 2007. NeuroSearch is not aware of any understanding among major Shareholders or others with respect to election of members to the Board of Directors.

The persons mentioned below have positions in other companies which could result in a conflict of interest vis-à-vis such companies, either because NeuroSearch has an equity interest in such company or because NeuroSearch and the company concerned have an ongoing business relationship. The rules of procedure for the Board of Directors require that if a conflict of interest is likely to occur, the persons affected by such conflict of interest are not allowed to participate in the voting on the issue.

Members of the Board of Directors, the Executive Management and key employees hold positions in companies in which NeuroSearch has equity interests (excluding subsidiaries) as stated below:

Asger Aamund and Flemming Pedersen are chairman and board member, respectively, of Bavarian Nordic A/S. Jørgen Buus Lassen and Jørgen Drejer are chairman and board member, respectively, of NsGene A/S. Flemming Pedersen and Jørgen Drejer are chairman and board member, respectively, of Atonomics A/S. Flemming Pedersen is chairman of the board of Sophion Bioscience A/S. Finn Eggert Sørensen is chairman of the board of ZGene A/S. Allan Andersen and Jørgen Drejer are shareholders of NsGene A/S. Jørgen Buus Lassen, Flemming Pedersen, Allan Andersen and Jørgen Drejer are shareholders of Sophion Bioscience A/S.

Marianne Philip, member of the Board of Directors, is a partner with the law firm Kromann Reumert which is the legal adviser to the Company.

13. Remuneration and benefits

The chairman's fee for the financial year 2006 was DKK 200,000 (EUR 26,882), the deputy chairman's fee was DKK 150,000 (EUR 20,161) and fees paid to each of the ordinary members amounted to DKK 100,000 (EUR 13,441). Total fees paid to the members of the Board of Directors for 2006 were DKK 850,000 (EUR 114,247). In addition, the members of the Board of Directors participate in NeuroSearch's warrant programme but they were not granted any warrants in 2006. The members of the Board of Directors were granted 14,000 warrants under the 2007-II warrant programme. The members of the Board of Directors did not receive any other remuneration from NeuroSearch in 2006, except for members of the Board of Directors who are NeuroSearch employees. Such members of the Board of Directors also received their usual salaries.

In 2006, NeuroSearch paid the members of its Executive Management a total amount of DKK 7.5 million (EUR 1.0 million), including remuneration to Jørgen Buus Lassen until his resignation in the spring of 2006. In addition, Jørgen Buus Lassen received fees of DKK 100,000 (EUR 13,441) in his capacity as member of the Board of Directors (see above). Jørgen Buus Lassen continues to be an employee of the Company and receives remuneration for such services. No agreements exist with the members of the Board of Directors, the Executive Management or other key employees providing for extraordinary remuneration, pensions, retirement or similar benefits. The members of the Executive Management participate in NeuroSearch's warrant programme but were not granted any warrants in 2006. The members of the Executive Management were granted a total of 39,000 warrants under the 2007-I warrant programme. Furthermore, the members of the Executive Management were granted a total of 60,000 warrants under the 2007-II warrant programme.

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

The warrant programme is also described in "I.15. Staff" and "I.18. Additional Information".

At the general meeting of the Company which was held on 14 May 2007, the Board of Directors was authorised to issue warrants to employees, managers and directors that grant the warrantholders the right to subscribe a total of 350,000 Shares of DKK 20 each (total nominal value of DKK 7,000,000) without preemptive rights for the Existing Shareholders. As of the Offering Circular Date, the Board of Directors has issued pursuant to this authorisation a total of 325,000 warrants granting the warrantholders the right to subscribe a total of 325,000 Shares of DKK 20 each (total nominal value of DKK 6,500,000) at a price of DKK 361 per Share, meaning that as of the Offering Circular Date, the authorisation allows for the grant of an additional 25,000 warrants giving the warrantholders the right to subscribe a total of 25,000 Shares of DKK 20 each (total nominal value of DKK 500,000).

The Board of Directors, the Executive Management and employees participate in the warrant programme. The number of warrants is decided individually. However, the total number of warrants that can be granted to members of the Board of Directors under the authorisation referred to above may not exceed a remaining total of 24,300 warrants.

The programme is based on one ordinary grant per year in order to ensure balanced grants, taking into account each employee's as well as NeuroSearch's performance and movements over time in the price of NeuroSearch's Shares. The Board of Directors has decided that the warrant programme may not exceed 10 per cent of the issued share capital at any given time (at year-end 2006, the warrant programme amounted to 3.4 per cent and as of the Offering Circular Date to 6.5 per cent of the total share capital on a fully diluted basis). According to the authorisation, the exercise price is determined by the Board of Directors. The exercise price may not be lower than the market price of the Shares on the OMX Nordic Exchange Copenhagen at the time of the issue of the warrants plus 10 per cent per year over the vesting period.

If it is decided to increase the Company's share capital through an issue of Shares with a subscription price below the market price of the Company's Shares, the number of Shares that may be subscribed under the warrants already issued as well as the exercise price will be adjusted so that the warrantholder's position is the same as if the warrants had been exercised immediately prior to the capital increase both with respect to the percentage of capital in the Company and the exercise price. Following completion of the Offering, a recalculation of the number of warrants and/or the exercise price will be made.

14. Board practices

The following table presents an overview of the contract terms with the members of the Board of Directors and Executive Management.

Table 24: Board of Directors' and Executive Management's contract terms

Name	Position	Date of appointment in current position	Expiration of duties	Contractual remuneration upon termination
Board of Directors				
Asger Aamund	Chairman	May 1989[1]	The annual	None
Marianne Philip	Deputy Chairman	April 2006[1]	general	None
Torbjörn Bjerke	Member	April 2006[1]	meeting 2008	None
Allan Andersen	Member	May 1990[1]	for all board	None
Jørgen Buus Lassen	Member	July 1989[1]	members	None
Torben Skov	Member (employee elected)	May 2004		None
Lars Siim Madsen	Member (employee elected)	May 2004		None
Executive Management				
Flemming Pedersen	Chief Executive Officer	April 2006	None	No agreed compensation will become payable upon the Company's termination of the agreement. However, the Company can only terminate the agreement with 12 months' notice.
Frank Wätjen	Executive Vice President, Director of Drug Development	October 2000	None	No agreed compensation will become payable upon the Company's termination of the agreement.[2] However, the Company can only terminate the agreement with 12 months' notice.
Jørgen Drejer	Executive Vice President, Director of Drug Discovery	October 2000	None	No agreed compensation will become payable upon the Company's termination of the agreement.[2] However, the Company can only terminate the agreement with 12 months' notice.
Dieter Meier	Executive Vice President, Chief Medical Officer	January 2006	None	No agreed compensation will become payable upon the Company's termination of the agreement.[2] However, the Company can only terminate the agreement with 12 months' notice.
Finn Eggert Sørensen	Executive Vice President, Chief Business Officer	April 2004	None	No agreed compensation will become payable upon the Company's termination of the agreement.[2] However, the Company can only terminate the agreement with 12 months' notice.

(1) The members of the Board of Directors elected by the Shareholders are elected at the annual general meeting of the Company for one year terms.

(2) Frank Wätjen, Jørgen Drejer, Dieter Meier and Finn Eggert Sørensen are covered by the Danish Salaried Employees Act. Pursuant to section 2a of the Danish Salaried Employees Act, if an employee who has been employed for a period of 12, 15 or 18 years is dismissed, the employer must pay a sum to the employee corresponding to 1, 2 and 3 months' salary, respectively.

All members of the Company's Board of Directors appointed by the Shareholders at the general meeting are appointed for terms of one year. Employee representatives, elected by and from amongst the employees of NeuroSearch, are elected for four-year terms. The Board of Directors convenes ordinary meetings at least four times a year. Nine Board meetings were held during 2006.

The Board of Directors conducts its business according to its rules of procedure. The rules of procedure include rules on the allocation of powers and duties between the Board of Directors and the Executive Management, and on the maintenance of minute books, the share register and protocols.

Other duties of the Board of Directors include, but are not limited to, establishing policies and making decisions on:

- The continuing five-year strategic plan, which is prepared every year;
- The budget for the coming year, which is prepared on the basis of the strategic plan and emphasises detailed projects and activity forecasts;
- Material collaborative agreements;
- Warrant programmes;
- Annual reports; and
- Appointment of executive officers.

14.a. Description of management reporting systems and internal control systems

The rules of procedure of the Board of Directors specify, among other things, the obligations of the Board of Directors to actively discuss the Company's organisation and internal controls as well as the obligation on the part of the Board of Directors to actively follow up on plans, budgets, the cash flow position and other material issues concerning the Company and its operations.

Before each ordinary meeting, the Board of Directors receives a report from the Executive Management on the status of the business which may be of interest for the Board of Directors, e.g., research and development, budget, other financial matters, organisation, investor relations activities, corporate ventures, etc.

The rules of procedure of the Board of Directors provide for the possibility of setting up audit and/or remuneration committees. No such committees have been set up as of the Offering Circular Date.

14.b. Corporate governance

NeuroSearch endeavours to comply with the corporate governance recommendations of the OMX Nordic Exchange Copenhagen and has adopted the "comply or explain" principle according to the "Corporate Governance Recommendations 2005" as amended (the "Recommendations") published by the OMX Nordic Exchange Copenhagen Committee on Corporate Governance.

NeuroSearch generally meets the recommendations in the following main sections of the Recommendations:

- The role of the shareholders and their interaction with the management of the company
- The role of stakeholders and their importance to the company
- Openness and transparency
- The tasks and responsibilities of the Board of Directors
- Remuneration of the members of the Board of Directors and Executive Management
- Risk management

NeuroSearch has chosen to derogate from the recommendations in respect of the following:

The composition of the Board of Directors

- Half of the members of the Board of Directors of the Company elected by the Shareholders are not "independent" as defined in the Recommendations, since the chairman of the Board of Directors is also a major Shareholder, the deputy chairman is a former professional adviser to the Company and partner of Kromann Reumert which continues to be legal adviser of the Company, and the former chief executive officer is a member of the Board of Directors. The Company does

not believe this is detrimental to the governance of the Company as all Shareholder-elected members of the Board of Directors are up for election every year.

- With respect to the recommendation of time-related requirements to Board members, the Company does not believe that it is the task of the Board of Directors to control Board members' other working circumstances.
- NeuroSearch has not adopted an age limit for its Board members. The Company does not believe this is detrimental to the governance of the Company as all Shareholder-elected members of the Board of Directors are up for election every year.

Audit matters

- Based on the size of the Board of Directors and the Company, the Board of Directors does not consider it necessary to establish an audit committee. The Board of Directors has therefore decided that the Executive Management is to make the operational agreements regarding the planning of audit procedures and related matters with the Company's auditor.

The Board of Directors reviews its position with respect to the Recommendations on a continuous basis.

15. Staff

As of 30 June 2007, NeuroSearch employed 230 people. The number of employees has been steadily increasing with average annual growth rates of approximately 15 per cent between 1991 and 1999, and approximately 6 per cent between 2000 and 2005. The acquisition of Carlsson Research in November 2006 increased the staff by 32 employees adding to the increase of 12 employees to the staff of NeuroSearch compared to 2005 (see Table 25: "Number of employees of NeuroSearch at end of the period" below). In January 2007, NeuroSearch changed the organisation of its Drug Discovery Division: The two functions In Vivo Pharmacology and Translational Biology were closed down, and the employees distributed to two new functions: CNS Pharmacology and Ion Channel Therapeutics. The main reason for the reorganisation was to ensure that drug candidates were tested more broadly for effects against peripheral diseases in parallel to a continued focus on CNS diseases.

Table 25: Number of employees of NeuroSearch at end of the period

	2004	2005	2006	30/06/2007
Management and Administration:				
Chief Executive Officer	1	1	1	1
Finance and Human Resources	5	5	7	7
Investor Relations and Secretariat	4	3	6	5
Laboratory Service	7	7	7	7
Information Technology	5	6	7	7
	22	22	28	27
Business Development:				
Chief Business Officer	1	1	1	1
Patents	3	3	3	3
Licences	2	2	2	2
Legal Affairs	2	1	2	2
	8	7	8	8
Drug Discovery:				
Executive Vice President	1	1	1	1
In Vitro Pharmacology	35	35	33	34
In Vivo Pharmacology	26	32	42	-(1)
Translational Biology	20	21	26	-(1)
Medicinal Chemistry	26	26	39	39
Drug Metabolism and Pharmaco Kinetics	11	13	17	16
CNS Pharmacology	-	-	-	37(1)
Ion Channel Therapeutics	-	-	-	27(1)
	119	128	158	154
Drug Development:				
Executive Vice President	1	1	1	1
Analytical Development	12	12	11	11
Preformulation	5	5	6	6
Preclinical Development	7	6	8	8
Clinical Development	6	5	8	9
Project Management	2	2	7	6
	33	31	41	41
Total	**182**	**188**	**232**	**230**

(1) In early 2007, the Drug Discovery Division was reorganised.

For information on the number of employees as of the Offering Circular Date, see "I.6.b. Functional structure".

Shareholdings and warrants of members of the Board of Directors, Executive Management and other key employees
The Board of Directors, the Executive Management and key employees participate in NeuroSearch's warrant programme, and some but not all currently own Shares in the Company (as shown in Table 26 below). For a description of the warrant programme, see "I.13. Remuneration and benefits" and "I.18. Additional information".

For further information with respect to the grants made since 1 January 2004 until the Offering Circular Date, see Table 28: "Movements in the Company's share capital from 1 January 2004 to the Offering Circular Date" in "I.18.a. Share capital". Following the completion of the Offering, a recalculation of the number of warrants and/or subscription prices will be carried out in order to reflect the dilution as a result of the Offering being conducted below market price.

Table 26: Summary of Shares and warrants held by members of the Board of Directors, the Executive Management and other key employees as of the Offering Circular Date

Name	Number of Shares	Number of warrants
Asger Aamund, including A.J. Aamund A/S Chairman	637,952	4,342
Marianne Philip Deputy Chairman	0	2,000
Torbjörn Bjerke Member of the Board	0	2,000
Allan Andersen, including AA Consult ApS Member of the Board	16,133	4,342
Jørgen Buus Lassen Member of the Board	93,390	6,342
Torben Skov Member of the Board	810	6,595
Lars Siim Madsen Member of the Board	0	15,269
Flemming Pedersen Chief Executive Officer	4,905	52,564
Jørgen Drejer Executive Vice President	39,540	27,953
Dieter Meier Executive Vice President	0	31,709
Finn Eggert Sørensen Executive Vice President	0	32,050
Frank Wätjen Executive Vice President	20,159	27,601
Palle Christophersen	97	15,769
Hanne Leth Hillman	0	11,000
Anita Milland	1,216	15,391
Naheed Mirza	0	18,323
Jette Møllmann	0	11,354
Dorthe Filtenborg Olesen	1	10,932
Dan Peters	0	16,269
Robin Sparks	65	7,842
Daniel Brunicardi Timmermann	0	10,720
Thomas Varming	0	12,512
Peder Velling	0	12,098
Nicholas Waters	22,879	11,500
Total	**837,147**[(1)]	**366,477**[(2)]

(1) Equivalent to 6.7 per cent of the total share capital and total votes before the Offering.

(2) Before the Offering and without giving effect to the anti-dilution provisions in the warrant programme. On the same basis, the total number of Shares and warrants held by the Board of Directors, Executive Management and other key employees corresponds to 9.0 per cent of the total share capital. See "I.13. Remuneration and benefits", "I.18. Additional information" and "III.9. Dilution".

The Board of Directors and the Executive Management are subject to a lock-up agreement from the Offering Circular Date until 90 days after completion of the Offering. See "III.7.b. Lock-up agreements in connection with the Offering".

16. Major Shareholders

Immediately prior to the Offering Circular Date, the Company had 16,459 registered Shareholders, who held a total of 8,853,097 Existing Shares, equivalent to 71.14 per cent of its share capital. Since the Shares are bearer securities, no complete record exists of the holders.

Pursuant to the requirements under Danish law, the following Shareholders have declared that they hold at least 5 per cent of the Company's Shares or voting rights:

Table 27: Major Shareholders in the Company as of the Offering Circular Date

	Shareholdings (per cent)	Voting rights (per cent)	Date of announcements
Asger Aamund and A.J. Aamund A/S (wholly-owned by Asger Aamund), Amaliegade 14, DK-1256 Copenhagen K, Denmark	5.13	5.13	23 March 2007
ATP, Kongens Vænge 8, DK-3400 Hillerød, Denmark	5.3	5.3	15 March 2006
Glaxo Group Limited of Berkeley Avenue, Greenford, Middlesex, UB6 0NN, United Kingdom	8.0	8.0	19 December 2003
Oppenheimer Funds Inc. of 6803 S. Tucson Way, Englewood, CO 80112, USA	8.75	8.75	2 August 2002

It is the duty of Shareholders to give notice to the Company of any changes in their shareholding or voting rights leading them to cross certain thresholds. See "III.4.i. Danish regulations governing mandatory tender offers, redemption of shares and shareholder disclosure". The Company will issue a company announcement in the event it receives such notice from a Shareholder. It is outside the authority of the Company to make any company announcement of major shareholdings unless prior notice from a Shareholder has been received. Thus, changes may have occurred in the stated share capital or voting rights of major Shareholders since the date indicated for the announcement.

For shareholdings of the Board of Directors, the Executive Management and employees as of the Offering Circular Date, see Table 26: "Summary of Shares and warrants held by members of the Board of Directors, the Executive Management and other key employees as of the Offering Circular Date" in "I.15. Staff".

While the Company is authorised by the general meeting to buy treasury Shares, it does not hold any Shares in treasury as of the Offering Circular Date.

17. Related party transactions

The Company's related parties

Related parties with a significant influence on the Company comprise the Executive Management, the Board of Directors and the Company's subsidiaries and associated companies. The associated companies are NsGene A/S, Sophion Bioscience A/S and Atonomics A/S.

The Company also considers Bavarian Nordic A/S and ZGene A/S to be related parties as some of these companies' board members are also members of the Board of Directors. See "I.12.a. Board of Directors".

Transactions with related parties from 1 January 2007 to the Offering Circular Date

Subsidiaries

From 1 January 2007 to the Offering Circular Date, subsidiaries were invoiced for contract work and other paid work. The Company invoiced a net amount of DKK 9 thousand (EUR 1.2 thousand) to NeuroScreen ApS, DKK 211 thousand (EUR 28.4 thousand) to Poseidon Pharmaceuticals A/S, DKK 9 thousand (EUR 1.2 thousand) to NsExplorer A/S and DKK 3,840 thousand (EUR 516.1 thousand) to NeuroSearch Sweden.

Associated companies

From 1 January 2007 to the Offering Circular Date, associated companies were invoiced for contract work and other paid work. The Company invoiced a net amount of DKK 258 thousand (EUR 34.7 thousand) to NsGene A/S and DKK 153 thousand (EUR 20.6 thousand) to ZGene A/S. In the first half of 2007, the Company was invoiced a net amount of DKK 1,335 thousand (EUR 179.4 thousand) from Sophion Bioscience A/S.

Transactions with related parties in 2006

Subsidiaries

In 2006, subsidiaries were invoiced for contract work and other paid work. The Company invoiced a net amount of DKK 8 thousand (EUR 1.1 thousand) to NeuroScreen ApS, DKK 5,842 thousand (EUR 785.2 thousand) to Poseidon Pharmaceuticals A/S, DKK 11 thousand (EUR 1.5 thousand) to NsExplorer A/S and DKK 322 thousand (EUR 43.3 thousand) to NeuroSearch Sweden.

Associated companies

In 2006, associated companies were invoiced for contract work and other paid work. The Company invoiced a net amount of DKK 203 thousand (EUR 27.3 thousand) to NsGene A/S and DKK 216 thousand (EUR 29.0 thousand) to ZGene A/S. In 2006, the Company was invoiced a net amount of DKK 1,746 thousand (EUR 234.7 thousand) from Sophion Bioscience A/S.

Management

For information on remuneration paid to the members of the Executive Management and Board of Directors, see "I.13. Remuneration and benefits".

Transactions with related parties in 2005

Subsidiaries

In 2005, subsidiaries were invoiced for contract work and other paid work. The Company invoiced a net amount of DKK 14 thousand (EUR 1.9 thousand) to NeuroScreen ApS, DKK 7,163 thousand (EUR 962.8 thousand) to Poseidon Pharmaceuticals A/S and DKK 2,789 thousand (EUR 374.9 thousand) to NsExplorer A/S.

Associated companies

In 2005, associated companies were invoiced for contract work and other paid work. The Company invoiced a net amount of DKK 71 thousand (EUR 9.5 thousand) to NsGene A/S, DKK 85 thousand (EUR 11.4 thousand) to Sophion Bioscience A/S and DKK 198 thousand (EUR 26.6 thousand) to ZGene A/S.

Management
For information on remuneration paid to the members of the Executive Management and Board of Directors, see "I.13. Remuneration and benefits".

Transactions with related parties in 2004
Subsidiaries
Subsidiaries were invoiced for contract work and other paid work. The Company invoiced a net amount of DKK 52 thousand (EUR 7.0 thousand) to Azign Bioscience A/S, DKK 2,347 thousand (EUR 315.5 thousand) to HeadExplorer A/S (now NsExplorer A/S), DKK 802 thousand (EUR 107.8 thousand) to NeuroScreen ApS and DKK 686 thousand (EUR 92.2 thousand) to Poseidon Pharmaceuticals A/S.

Associated companies
Associated companies were invoiced for contract work. The Company invoiced a net amount of DKK 247 thousand (EUR 33.2 thousand) to NsGene A/S, DKK 344 thousand (EUR 46.2 thousand) to Sophion Bioscience A/S and DKK 130 thousand (EUR 17.5 thousand) to ZGene A/S.

Azign Bioscience A/S, which has since been sold, invoiced a net amount of DKK 3,936 thousand (EUR 529.0 thousand) to the Company for property, plant and equipment and contract work.

18. Additional information

18.a. Share capital

Set forth below is a summary of information concerning the Company's share capital and a brief description of certain provisions contained its Articles of Association dated 22 August 2007, as well as a brief description of certain provisions of the Danish Public Companies Act. The Company has only one share class.

Table 28: Movements in the Company's share capital from 1 January 2004 until the Offering Circular Date

	Nominal capital increase	Number of new Shares	Total nominal share capital
Share capital at 1 January 2004			153,916,660
Capital increase November 2004 at DKK 167 per Share of DKK 20 (exercise of warrants)	897,280	44,864	154,813,940
Capital increase December 2004 at DKK 167 per Share of DKK 20 (exercise of warrants)	2,000	100	154,815,940
Capital increase March 2005 at DKK 167 per Share of DKK 20 (exercise of warrants)	788,160	39,408	155,604,100
Capital increase September 2005 at DKK 167 per Share of DKK 20 (exercise of warrants)	16,000	800	155,620,100
Capital increase November 2005 at DKK 53 per Share of DKK 20 (exercise of warrants)	2,068,500	103,425	157,688,600
Capital increase December 2005 at DKK 53 per Share of DKK 20 (exercise of warrants)	101,500	5,075	157,790,100
Capital increase March 2006 at DKK 53 per Share of DKK 20 (exercise of warrants)	519,000	25,950	158,309,100
Capital increase September 2006 at DKK 148 per Share of DKK 20 (exercise of warrants)	519,500	25,975	158,828,600
Capital increase October 2006 at DKK 100 per Share of DKK 20 (rights issue)	79,414,300	3,970,715	238,242,900
Capital increase October 2006 at DKK 166.9 per Share of DKK 20 (new Shares to the selling shareholders of Carlsson Research)	8,147,420	407,371	246,390,320
Capital increase March 2007 at DKK 126.40 per Share of DKK 20 (exercise of warrants)	2,513,100	125,655	248,903,420

Share capital

Immediately prior to the Offering, the Company's share capital amounts to a nominal value of DKK 248,903,420 divided into 12,445,171 Shares, each with a nominal value of DKK 20. All Shares are fully paid-in. When the capital increase has been registered with the Commerce and Companies Agency, the Offered Shares will have the same rights as the Existing Shares.

Warrants

Table 29: Warrants granted and outstanding as of the Offering Circular Date

			Number of warrants						
Year	Exercise price (DKK)	Exercise period	Board of Directors	Executive Management	Other employees	Total (DKK 20 each)	Market value[1]	Exercise price, diluted[2]	Number of warrants, diluted[2]
2004	262.19	Nov. 2007[3] Mar. 2008 Sept. 2008 Mar. 2009	7,026	24,003	115,105	146,134	23.9	248.3	154,302
2005	191.30	Nov. 2008 May 2009 Nov. 2009 Mar. 2010	7,026	27,165	116,309	150,500	34.9	181.2	158,912
2006	213.51	Nov. 2008 May 2009 Nov. 2009 Mar. 2010	0	0	11,709	11,709	2.5	202.2	12,363
2007-I	402.00	May 2010 Aug./Sept. 2010 Mar. 2011	0	39,000[4]	199,031	237,272	31.7	380.7	251,335
2007-II	361.00	Nov. 2010 May 2011 Nov. 2011	14,000	60,000[5]	251,000	325,000	52.9	341.9	343,165
Total			**28,052**	**150,168**	**693,154**	**870,615[6]**	**145.9**		**920,077**

(1) The market value has been determined in DKK millions at the end of the exercise period. The calculation was made using the Black & Scholes model, applying a closing price at 14 October 2007 of DKK 395 per Existing Share and a volatility rate of 39.9 per cent, equivalent to the volatility of the price of the Shares over the last three years before the balance sheet date. Source: Danske Markets.

(2) Dilution has been calculated based on the closing price at 24 October 2007 of DKK 395 per Existing Share and on the assumption that the Offering will be fully subscribed. If the Offering is not fully subscribed, the Company will announce the actual dilution after the completion of the Offering.

(3) Pursuant to the Articles of Association, the 146,134 warrants issued under the 2004 programme will become exerciseable in an exercise period that extends from 26 to 30 November 2007. However, the Board of Directors has determined that the warrants should not be exercised until after the publication of the interim report for the third quarter of 2007, expected to occur on 28 November 2007, and therefore has amended the exercise period accordingly. The Company does not have information as to the employees' intentions to exercise these warrants.

(4) The grant was made to the Executive Management consisting of four persons as of 1 January 2007 (Flemming Pedersen, Jørgen Drejer, Frank Wätjen and Finn Eggert Sørensen).

(5) The grant was made to the Executive Management consisting of five persons as of 1 September 2007 (Flemming Pedersen, Jørgen Drejer, Frank Wätjen, Finn Eggert Sørensen and Dieter Meier).

(6) The aggregate warrant programme corresponds to 7.0 per cent of the share capital immediately prior to the Offering.

At the general meeting of the Company which was held on 14 May 2007, the Board of Directors was authorised to issue warrants to employees, managers and directors that grant the warrantholders the right to subscribe a total of 350,000 Shares of DKK 20 each (total nominal value of DKK 7,000,000) without preemptive rights for the Existing Shareholders. As of the Offering Circular Date, the Board of Directors has issued pursuant to this authorisation a total of 325,000 warrants granting the warrantholders the right to subscribe a total of 325,000 Shares of DKK 20 each (total nominal value of DKK 6,500,000) at a price of DKK 361 per Share, meaning that as of the Offering Circular Date, the authorisation allows for the grant of an additional 25,000 warrants giving the warrantholders the right to subscribe a total of 25,000 Shares of DKK 20 each (total nominal value of DKK 500,000).

The Board of Directors, the Executive Management and employees participate in the warrant programme. The number of warrants is decided individually. However, the total number of warrants that can be granted to members of the Board of Directors under the authorisation referred to above may not exceed a remaining total of 24,300 warrants.

See "I.13. Remuneration and benefits" for further details on the warrant programme.

If it is decided to increase the Company's share capital through an issue of Shares at a subscription price below the market price of the Company's Shares, the number of Shares that may be subscribed under the warrants as well as the exercise price will be adjusted so that the warrantholder's position is the same as if the warrants had been exercised immediately prior to the capital increase both with respect to the percentage of capital in the Company and the exercise price. In order to effect this, a recalculation of the number of warrants/exercise price will be undertaken following completion of the Offering.

The table above shows the number of warrants and the exercise price of unexercised warrant programmes following adjustment as a result of the Offering. The adjustment is shown assuming subscription of the maximum number of Offered Shares.

Share capital increase
An extraordinary general meeting held on 14 May 2007 authorised the Board of Directors, during the period ending on 31 December 2011, to increase the share capital in one or more issues by a total of up to DKK 60,000,000 nominal value (3,000,000 Shares of DKK 20). The share capital may be increased by cash payment or in other ways. If the share capital is increased by cash payment at a subscription price below the market value of the Shares, the Existing Shareholders shall have preemptive rights to subscribe for the amount by which the share capital is increased, proportional to their shareholdings. If the share capital is increased by cash payments at a subscription price at or above market price or in other ways, such as by conversion of debt or payment of a contribution in kind, the Board of Directors may decide that the Existing Shareholders shall not have preemptive rights.

The terms and conditions of the subscription for Shares shall be determined by the Board of Directors.

The new Shares shall be negotiable instruments and shall be issued to bearer but they may be registered in the bearer's name in the Company's register of shareholders. No restrictions shall apply to the transferability of the new Shares, and no Shareholder shall be obliged to have his Shares redeemed - in whole or in part. The Shares shall carry the right to any dividend as from the date fixed by the Board of Directors but not later than the first financial year following the capital increase.

The above authorisation will be used for the Offering as described in "III.4.f. Resolutions, authorisations and approvals to proceed with the Offering"; upon completion of the Offering, the Board of Directors intends to convene an extraordinary general meeting for the purpose of having the authorisation renewed by the Shareholders.

The share capital of the Company may be reduced or increased by the Shareholders at a general meeting with a qualified majority of votes, see below.

General meetings
The general meeting of Shareholders is the ultimate authority in all matters relating to the Company, subject to the limitations provided by Danish law and the Articles of Association. General meetings shall be held at the registered office of the Company or in Greater Copenhagen. General meetings are called by the Board of Directors.

Extraordinary general meetings shall be held whenever a general meeting, the Board of Directors or the auditor thinks it fit or upon a written request from Shareholders who hold not less than 10 per cent of the Company's share capital.

All resolutions at general meetings shall be adopted by a simple majority of votes unless a qualified majority of votes is provided for by the Danish Public Companies Act or the Articles of Association.

According to Article 16 of the Articles of Association, if a qualified majority of votes or unanimity is not provided for by the Danish Public Companies Act, the adoption of any resolution to alter the Articles of Association (including a change of the share capital), the winding-up of the Company or a merger with another company or business shall require a majority of votes of at least two-thirds of the votes cast as well as of the voting share capital represented at the general meeting, and also at least 50 per cent of the share capital shall be represented at the general meeting. If less than 50 per cent of the share capital is represented at the general meeting, but a resolution is adopted by at least two-thirds of the votes cast as well as two-thirds of the voting share capital represented at the general meeting, the resolution may be adopted by a new general meeting convened within 14 days after the date of the previous general meeting by at least two-thirds of the votes cast as well as of the voting share capital represented at the general meeting, regardless of the share capital represented.

Shareholder agreements
Management is not aware of any shareholder agreements relating to the Shares.

Treasury shares
Under the Danish Public Companies Act, the Shareholders may authorise the Board of Directors to arrange for the Company to acquire its own Shares, however, the aggregate amount of such Shares may not exceed 10 per cent of its total share capital. At the annual general meeting held on 25 April 2007, the Board of Directors was authorised to acquire up to 10 per cent of the Company's share capital during the period until the next annual general meeting. The consideration for such shares shall not deviate by more than 10 per cent from the buying price quoted by the OMX Nordic Exchange Copenhagen at the time of acquisition. As of the Offering Circular Date, the Company does not hold any treasury Shares.

18.b. Memorandum of Association and Articles of Association

The Company's Articles of Association of 22 August 2007 are included in "Appendix". As regards the Articles and Memorandum of Association, the following should be emphasised:

Objects
The objects for which the Company is established are to carry on research, trade, manufacture and to carry on any other activities deemed to be incidental or conducive to the attainment of the above objects, primarily within the pharmaceutical industry, including both directly or indirectly through subsidiaries. See Article 3 of the Articles of Association.

Provisions concerning members of the Board of Directors and the Executive Management
The Company shall be managed by a board of directors comprising not less than three and not more than eight members elected by the general meeting for terms of one year. Board members are eligible for re-election. Additional members are elected pursuant to the provisions of Danish law on employee representation on boards of directors. The general meeting shall determine the directors' fees. See Article 17 of the Articles of Association.

The proceedings of the board meetings shall be registered in a minute book to be signed by all members present. The Board of Directors shall elect its own chairman and deputy chairman and may furthermore grant single or joint powers of procuration. The Board of Directors shall draw up its own rules of procedure governing the performance of its duties. The Board of Directors shall appoint the Executive Management. See Article 18 of the Articles of Association.

The Company shall be bound by the joint signatures of the chairman of the Board of Directors and either a manager or two members of the Board of Directors, or by the joint signatures of any two members of the Board of Directors and a manager. See Article 19 of the Articles of Association.

During the period ending 31 December 2011, the Board of Directors is authorised to increase the Company's share capital in one or more issues of a total nominal amount of up to DKK 60,000,000 (3,000,000 Shares of DKK 20). See Article 5 of the Articles of Association.

At the extraordinary general meeting held on 14 May 2007, the Board of Directors was authorised, for the period ending 31 December 2008, to issue warrants to some or all of the Company's and its subsidiaries' employees and Board and Executive Management members in the absolute discretion of the Board of Directors and on terms set by the Board of Directors for subscription by one or more issues for up to a total of 350,000 Shares of DKK 20 each (total nominal value of DKK 7,000,000) without preemptive rights for the Shareholders by cash payment at a price to be determined by the Board of Directors, which, however, may not be below the market price of the Company's Shares on the OMX Nordic Exchange Copenhagen at the time of issue of the warrants plus 10 per cent annually over the vesting period. The number of warrants is decided individually. However, the total number of warrants that can be granted to members of the Board of Directors under the authorisation may not exceed a total of 25,000. As of the Offering Circular Date, the authorisation allows for the grant of an additional 25,000 warrants giving the warrantholders the right to subscribe a total of 25,000 Shares of DKK 20 each (total nominal value of DKK 500,000). See Article 5a of the Articles of Association and "I.13. Remuneration and benefits" for further details on the warrant programme.

Articles 5b, 5d, 5e 5h and 5i of the Articles of Association contain rules concerning warrants already issued by the Board of Directors.

At the discretion of the Board of Directors, the Company's register of shareholders must be kept either by the Company or by an external registrar nominated by the Board of Directors. The Company's register of shareholders is kept by Aktiebog Danmark A/S. See Article 8 of the Articles of Association.

In connection with the annual general meeting, the directors' report on the activities of the Company during the past year shall be presented and the Board of Directors shall propose a resolution to be adopted by the general meeting on the distribution of profit or loss stated in the annual report. See Article 12 of the Articles of Association. Moreover, members shall be elected to the Board of Directors.

Rights and restrictions in relation to Existing Shares
No Share shall carry any special rights. See Article 7 of the Articles of Association.

Each Share of DKK 1 shall carry one vote at general meetings. See Article 15 of the Articles of Association.

No restrictions shall apply to the transferability of the Shares. See Article 6 of the Articles of Associations.

No Shareholder shall be obliged to let his Shares be redeemed in full or in part by the Company or by any other party. See Article 7 of the Articles of Association.

Notice convening annual and extraordinary general meetings
The Board of Directors shall convene general meetings at not less than 8 days' and not more than four weeks' notice. The notice convening a general meeting shall be published in one leading daily newspaper and in the electronic information system of the Danish Commerce and Companies Agency. Furthermore, a written notice of the general meeting shall be sent to any Shareholder registered in the register of shareholders upon request. See Article 10 of the Articles of Association.

Each Shareholder is entitled to attend general meetings, provided that he has requested an admission card from the Company's office not later than 5 days prior to the relevant meeting. In order to document its right as a shareholder, the Shareholder must be registered in the Company's register of shareholders or present relevant documentation from his bank, which documentation must have been issued within 14 days of his request for an admission card. In addition, in order to receive an admission card a Shareholder shall submit a written statement to the effect that its Shares have not been, and will not be, transferred to any third party prior to the general meeting. Each Shareholder may attend in person, with an adviser or by proxy. See Article 11 of the Articles of Association.

Provisions in the Articles of Association which may lead to a change of control in the Company being delayed
Shareholders who have acquired Shares by transfer are not entitled to exercise voting rights for such Shares, unless the Shares have been entered in the Company's register of shareholders, or unless the Shareholder has applied for registration of and substantiated his acquisition prior to the notice convening the general meeting. See Article 15 of the Articles of Association.

18.c. Legal and arbitration proceedings

NeuroSearch is not party to any legal, governmental or arbitration proceeding which may have or has had in the recent past a significant effect on NeuroSearch's financial position or results of operations and NeuroSearch is not aware of any such threatened proceedings.

19. Material contracts

19.a. Agreement to acquire the share capital of Carlsson Research (now NeuroSearch Sweden)

On 23 August 2006, the Company signed an agreement (the "Carlsson Research Agreement") to acquire all of the shares of Carlsson Research (now NeuroSearch Sweden) from the then shareholders. The transfer of the shares took place on 23 October 2006.

The consideration for the acquisition of Carlsson Research, if all milestones are achieved, will amount to a total of SEK 825 million (DKK 660.0 million) (EUR 88.7 million), plus half of any up-front payment should a collaborative agreement on ACR325 be signed. All payments shall be made in SEK.

Out of the total consideration, SEK 250 million (DKK 200.0 million) (EUR 26.9 million) was paid to the selling shareholders on closing of the transaction. Of this payment, SEK 166 million (DKK 132.8 million) (EUR 17.8 million) was paid in cash, whilst SEK 84 million (DKK 67.2 million) (EUR 9.0 million) was paid through the issuance of Shares at a price of DKK 166.9 per Share. Following NeuroSearch's announcement on 8 November 2006 that it had dosed the first patient in a Phase I study using ACR325, a milestone payment to the selling shareholders in the amount of SEK 75 million (DKK 60.0 million) (EUR 8.1 million) was paid in cash. See "I.8. Review of operations and financial statements".

The remaining consideration, up to a total of SEK 500 million (DKK 400.0 million) (EUR 53.8 million) plus half of the up-front payment should a collaborative agreement on ACR325 be signed, becomes payable if and when the following milestones are achieved:

Table 30: Remaining milestone consideration under the Carlsson Research Agreement

(in millions)	SEK	DKK	EUR
ACR16 (Huntington's disease) – first dosage in Phase III	100	80.0	10.8
ACR343 – first dosage in Phase I	75	60.0	8.1
ACR16 (schizophrenia) – first dosage in Phase II	125	100.0	13.4
ACR325 – first dosage in Phase II	100	80.0	10.8
ACR16 (Huntington's disease) – filing of first New Drug Application or grant of first marketing approval	100	80.0	10.8
Total remaining fixed milestone consideration	**500**	**400.0**	**53.8**
Variable milestone payments: Collaborative agreement on ACR325 – In the event that a collaborative agreement on ACR325 is entered into with a third party partner, 50 per cent of the up-front payment will be made as an additional milestone to the selling shareholders (for illustrative purposes, if an up-front payment amounts to SEK 100 million, a payment of SEK 50 million would be payable to the selling shareholders)			

For an update of the progress being made with respect to these programmes, see "I.5.b. NeuroSearch's drug development".

If and when NeuroSearch achieves a milestone, the Company is free to choose whether to make the milestone payment in cash or Shares. The value of the Shares shall be determined based on the average price of the Shares during a period of ten Banking Days comprising five Banking Days prior to the announcement that a milestone has been achieved, the date of the announcement and four Banking Days thereafter. The milestones in the table above are described in greater detail below:

ACR16 (Huntington's disease) – in Phase III shall be considered attained when the first dosing of ACR16 for Huntington's disease is effected in Phase III.

ACR343 – in Phase I shall be considered attained when the first dosing of ACR343 is effected in Phase I.

ACR16 (schizophrenia) – in Phase II shall be considered attained when NeuroSearch receives a specified clinical milestone payment from Astellas under the agreement between NeuroSearch Sweden and Astellas.

ACR325 – in Phase II shall be considered attained when the first dosing of ACR325 is effected in Phase II.

ACR16 (Huntington's disease) – filing of application for or grant of first marketing approval shall be considered attained when (i) NeuroSearch or a partner files the first New Drug Application with the relevant regulatory authority in the United States, Canada, the European Union, Norway or Switzerland regarding ACR16 for the treatment of Huntington's disease, or (ii) NeuroSearch receives a public authorisation to sell ACR16 for the treatment of Huntington's disease in any of the above mentioned jurisdictions, whichever is the earlier.

Partnership agreement on ACR325 – NeuroSearch intends to seek a partnership agreement with a pharmaceutical company regarding the development of ACR325. It has been agreed that the selling shareholders of Carlsson Research are to receive 50 per cent of an up-front payment in connection with any such partnership agreement being entered into.

Under the Carlsson Research Agreement, Nicholas Waters (CEO of NeuroSearch Sweden), Joakim Tedroff, Clas Sonesson, Peter Martin and Susanna Holm Waters have undertaken, if they should cease to hold office with NeuroSearch Sweden, not to carry out any activity competing with NeuroSearch Sweden until 23 October 2009, and during the same period not to actively solicit or hire certain employees of NeuroSearch Sweden.

Pursuant to the Carlsson Research Agreement, the Company has undertaken to diligently pursue the development plan for the drug candidates ACR16, ACR325 and ACR343 originally developed by Carlsson Research. The Company may only terminate the development of those drug candidates due to clear and material lack of efficacy, clearly and materially unacceptable toxicology or safety profile or for materially adverse technical reasons such as material problems related to drug formulation. If the Company does not comply with such obligation and does not cure such non-compliance within a reasonable period, then the relevant milestone payment(s) will immediately become payable.

19.b. Significant collaborative and license agreements

The GSK Agreement

On 19 December 2003, the Company entered into the GSK Agreement which is a five year strategic alliance agreement. After the five-year period, the terms of the GSK Agreement will continue to apply for compounds identified for further development.

The GSK Agreement comprises collaboration on a number of research programmes focusing on ion channels and targeting the treatment of CNS disorders. The GSK Agreement provides GSK with options to develop drug candidates from NeuroSearch's research and development in the above-mentioned field and requires NeuroSearch to dedicate certain resources to the field. Under the GSK Agreement, NeuroSearch (but not GSK) is restricted from conducting activities with other partners within the scope of the strategic alliance.

In late 2006, the GSK Agreement was amended to include a new structure in terms of how the parties are collaborating on the development of drug candidates. Under the original GSK Agreement, GSK would, upon accepting a compound, take over the further development of the compound, including the financing thereof, and NeuroSearch would receive milestone payments and royalties. The structure may still be applied under the amended GSK Agreement, but under the new structure, when a compound has been identified by NeuroSearch for further development and accepted by GSK, then NeuroSearch retains responsibility for clinical development until completion of Proof-of-Concept (typically Phase IIa). GSK will in this case be responsible for the development from Proof-of-Concept, production and marketing. Consistent with the corporate strategy, NeuroSearch will fund the part of the development for which it is responsible in exchange for certain milestone payments. Under the amended structure, NeuroSearch may receive up to DKK 811.0 million (EUR 109 million) (payments made in EUR) in success based milestone payments per compound accepted by GSK and low double digit royalties on net sales.

Further, as part of the amended GSK Agreement, the Company has the option to issue Shares to GSK at market price for an amount of up to DKK 37.2 million (EUR 5 million) (calculated in EUR) upon the filing of each of the first six IND applications, i.e. up to DKK 223.2 million (EUR 30 million).

In July 2007, GSK accepted NSD-644 as the first candidate to be developed by NeuroSearch through Proof-of-Concept under the amended GSK Agreement.

The GSK Agreement may only be terminated by GSK on the basis of the Company's insolvency, a material breach of contract or the transfer to a new owner of a controlling interest (as defined in the GSK Agreement) in the Company.

Moreover, as part of the GSK Agreement, the Company has granted an exclusive licence to GSK to develop NS2359. NeuroSearch has received and may in the future receive milestone payments. If NS2359 is successfully developed and marketed, NeuroSearch will receive future milestone payments of up to DKK 703.1 million (EUR 94.5 million) and royalities on net sales under the GSK Agreement (payments to be made in EUR).

Licence agreement with Abbott
In December 1999, the Company entered into a research and licence agreement with Abbott within the field of neuronal nicotinic receptors (NNR). The research phase expired on 31 December 2003, and was followed by a three-year tail period, which expired on 31 December 2006.

Today, Abbott is developing the following four compounds identified for drug development under the terms of the agreement:

- Abbott is conducting a Phase II study with ABT-894 for the treatment of Attention Deficit Hyperactivity Disorder (ADHD) in adults. Further, Abbott is conducting a Phase II study with ABT-894 in patients with neuropathic pain (severe chronic pain conditions).
- Abbott is developing three other NNR modulators ABT-107, ABT-560 and NSD-683 under the terms of the agreement with the Company. In the second quarter of 2007, Abbott initiated a Phase I study with the compound ABT-107 that gave rise to a milestone payment to the Company. Abbott initiated a Phase I study with ABT-560 in July 2007, which gave rise to a milestone payment. Finally, Abbott has NSD-683 in preclinical development.

Under the agreement, Abbott is responsible for the clinical development and commercialisation of the compounds that derived from the collaboration (ABT-894, ABT-107, ABT-560 and NSD-683). Abbott will pay all development costs, and NeuroSearch will be entitled to milestone payments and royalties on any future sales.

Licence agreement with Astellas
In February 2005, Carlsson Research (now NeuroSearch Sweden) concluded a licence agreement with Astellas concerning ACR16. Under the agreement, Carlsson Research granted to Astellas an exclusive, worldwide licence to exploit ACR16 for all indications except Huntington's disease in certain countries with a view to developing, marketing, distributing, and selling medicinal products. Carlsson Research retained the exclusive rights to develop, market, distribute, and sell ACR16 for Huntington's disease indications in the United States, the European Union, Norway, Switzerland and Canada. Each party finances its own development, marketing, and production costs relating to their own products.

In April 2007, Astellas initiated a Phase Ib multiple dosing study with ACR16 in patients suffering from schizophrenia.

Under the agreement, NeuroSearch Sweden may request Astellas to produce ACR16 active pharmaceutical ingredients or products for NeuroSearch Sweden's development and marketing of Huntington's disease products on pre-agreed terms. Astellas has a right of first refusal to enter into a co-promotion agreement with NeuroSearch Sweden on the sale and promotion of the ACR16 products for Huntington's disease in the event NeuroSearch Sweden seeks a co-promotion partner.

NeuroSearch Sweden may under the agreement receive up to DKK 625.0 million (EUR 84.0 million) in pre-marketing milestone payments. Of this, Carlsson Research received an up-front payment of DKK 74.4 million (EUR 10.0 million) prior to the Company's acquisition of Carlsson Research. In addition, NeuroSearch Sweden may, subject to certain conditions, receive low double-digit royalties on sales made by Astellas.

Astellas may freely terminate the agreement without owing payment of any future milestones. If Astellas terminates the agreement, all rights granted will revert to NeuroSearch Sweden and NeuroSearch Sweden will be granted an exclusive fully paid up licence with the right to sublicense to Astellas patents and know-how with a view to developing, making and selling all the products covered by the agreement.

Boehringer Ingelheim

In connection with the termination of NeuroSearch's agreement from 2002 with Boehringer Ingelheim concerning the compound tesofensine (NS2330) in Spring 2006, the parties entered into a "termination agreement", whereby Boehringer Ingelheim's patent rights to inventions conceived under the original agreement were either assigned or licensed to NeuroSearch on an exclusive, worldwide basis.

Under the agreement, Boehringer Ingelheim is entitled to receive a part of any payments received by NeuroSearch in connection with the signing of a partnership agreement with regard to tesofensine or upon the sale by NeuroSearch of the rights to tesofensine. Furthermore, Boehringer Ingelheim is entitled to minor royalties on the net sales of any product containing tesofensine.

20. Available documentation

The Company's annual reports for the years ended 31 December 2004, 2005 and 2006 and interim reports issued in 2007, the Articles of Association, the memorandum of association and a declaration by the Board of Directors pursuant to section 29 (2) of the Danish Public Companies Act with the related auditors' report are available for inspection at NeuroSearch's offices, NeuroSearch A/S, Pedersstrupvej 93, DK-2750 Ballerup, Denmark.

21. Disclosure of equity investments

For information on material investments held by the Company in other companies, see “I.4.h. Investments”.

Definitions

Abbott	Abbott Laboratories Ltd.
Allocation Time	Friday, 9 November 2007 at 12.30 CET.
Articles of Association	The Company's articles of association of 22 August 2007.
Astellas	Astellas Pharma Inc.
Banking Day	A day on which banks in Denmark are open for business.
Board of Directors	Asger Aamund, Marianne Philip, Torbjörn Bjerke, Allan Andersen, Jørgen Buus Lassen, Lars Siim Madsen and Torben Skov.
Carlsson Research	A. Carlsson Research AB, company reg. no. 556552-5176 (now NeuroSearch Sweden).
Carlsson Research Agreement	The share purchase agreement dated 23 August 2006 between the selling shareholders of Carlsson Research and the Company concerning the sale and purchase of the entire share capital of Carlsson Research.
Carnegie	Carnegie Bank A/S, CVR no. 79437417.
Clearstream	Clearstream Banking S.A. 42 Avenue JF Kennedy L-1855 Luxembourg, Luxembourg.
Company	NeuroSearch A/S, CVR no. 12546106.
Copenhagen Stock Exchange	Københavns Fondsbørs A/S (now OMX Nordic Exchange Copenhagen).
Danish Act on Inventions of Employees	Consolidation Act no. 131 of 18 March 1996 on Inventions of Employees, as amended.
Danish Public Companies Act	Consolidation Act no. 649 of 15 June 2006 on Public Companies, as amended.
Danish Salaried Employees Act	Consolidation Act no. 68 of 21 January 2005 governing the legal relationship between employers and salaried employees, as amended.
Danish Securities Trading Act	Consolidation Act no. 1077 of 4 September 2007 on securities trading, etc., as amended.
Danish Working Enviromnment Act	Consolidated Act no. 268 of 18 March 2005 on working environment, as amended.
Danske Markets	Danske Markets (division of Danske Bank A/S), CVR no. 61126228.
Denmark	The Kingdom of Denmark.
DKK or Danish kroner	The official currency of Denmark.
EEA	The EU member states, Norway, Iceland, and Liechtenstein.
EPC Countries	Countries that have signed the European Patent Convention.
EU	The European Union.
EUR, euro or €	The single currency of the member states participating in the third stage of the European Economic and Monetary Union pursuant to the Treaty Establishing the European Community as amended from time to time.
Euroclear	Euroclear Bank S.A./N.V. 1 Boulevard du Roi Albert II, B – 1210 Brussels, Belgium.
Exchange Act	The United States Securities Exchange Act of 1934.
Executive Management	Flemming Pedersen, Frank Wätjen, Jørgen Drejer, Dieter Meier and Finn Eggert Sørensen. Flemming Petersen, President and CEO, is the only member of the Executive Management who is registered with the Danish Commerce and Companies Agency.
Existing Shareholders	Any person or entity registered at VP Securities Services (Værdipapircentralen) as a Shareholder of the Company as of the Allocation Time.
Existing Shares	12,445,171 Shares of DKK 20 nominal value each in NeuroSearch A/S prior to the Offering.

GBP	Pound Sterling, the official currency of Great Britain.
Group	The Company and its subsidaries from time to time, including for the avoidance of doubt NeuroSearch Sweden as from 23 October 2006.
GSK	GlaxoSmithKline Plc.
GSK Agreement	Research, development and commercialisation agreement between the Company and GSK of 19 December 2003, as amended and updated from time to time.
GSK Option	GSK's option to accept a compound developed by NeuroSearch to be developed within the framework of the GSK Agreement.
Joint Global Coordinators	Carnegie and Danske Markets.
Management	The Board of Directors and the Executive Management.
NeuroSearch	The Company and its subsidaries from time to time, including for the avoidance of doubt NeuroSearch Sweden as from 23 October 2006.
NeuroSearch Sweden	NeuroSearch Sweden AB, company reg. no. 556552-5176. Formerly operated under the name A. Carlsson Research AB.
Offer Price	DKK 280 per Offered Share.
Offered Shares	2,765,593 new Shares being offered in the Offering.
Offering	Offering of 2,765,593 Offered Shares in the Company to be subscribed pursuant to this Offering Circular.
Offering Circular	This document published by the Management of NeuroSearch A/S.
Offering Circular Date	31 October 2007.
OMX Nordic Exchange Copenhagen	OMX Nordic Exchange Copenhagen A/S.
Preemptive Rights	Preemptive Rights allocated to the Company's Existing Shareholders in connection with the Offering.
Recommendations	"Corporate Governance Recommendations 2005" of the OMX Nordic Exchange Copenhagen, as amended.
SEK	The official Currency of Sweden.
Shareholders	The Shareholders of NeuroSearch A/S.
Shares	The Company's shares, including the Offered Shares. The Shares are issued with a nominal value of DKK 20 per Share.
Subscription Period	Monday, 12 November 2007 at 9.00 a.m. CET to and including Friday, 23 November 2007 at 5.00 p.m. CET.
Swedish GAAP	Generally accepted accounting principles in Sweden.
UK	The United Kingdom of Great Britain and Northern Ireland.
US	The United States of America.
USD	The official currency of the USA.

Glossary

ADHD	Attention Deficit Hyperactivity Disorder.
ADME	Absorption, Distribution, Metabolization, and Excretion. Describes the disposition and fate of a pharmaceutical compound within an organism.
Affective disorders	A group of disorders characterised by primary disturbance of mood, such as depression or elation.
Affective symptoms	Disease symptoms related to feelings or mood.
Agonist	A substance that binds to a receptor and triggers a response in the cell.
Alzheimer's disease	A neurodegenerative disease which results in a loss of mental functions (dementia) due to the deterioration of brain tissue. Its exact etiology (cause) is still unknown.
AMPA antagonist	A substance that inhibits binding of agonists to AMPA receptors.
AMPA receptors	A subtype of glutamate receptors, which can be selectively activated by the synthetic glutamate analogue -amino-5-hydroxy-3-methyl-4-isoxazole propionic acid (AMPA).
Antagonist	A substance that inhibits activation of a receptor by an agonist and thereby inhibits the normal physiological function of a receptor.
Attention deficit hyperactivity disorder	A common developmental and behavioral disorder. It is characterized by poor concentration, distractibility, hyperactivity, and impulsiveness.
Autoimmune diseases	Chronic, systemic diseases caused by the immune system's attack upon some parts of a patient's body. Rheumatoid arthritis and multiple sclerosis are examples of autoimmune diseases.
Basal ganglia	Several large clusters of nerve cells deep in the brain below the cerebral hemispheres.
Bioavailability	The extent to which a drug is absorbed into the bloodstream.
BMI	Body Mass Index. Calculated as the weight in kilograms divided by height in meters squared.
Cerebral cortex	The outermost layer of the cerebral hemispheres of the brain. It is responsible for all forms of conscious experience, including perception, emotion, thought and planning.
Cholesterol	A fatty substance (lipid) found in animal tissue and fat.
Chorea	Involuntary movements.
Chronic obstructive pulmonary disease	Or COPD. Also known as Smoker's lung. A progressive lung disease process characterized by difficulty breathing, wheezing, and a chronic cough. Complications include bronchitis, pneumonia, and lung cancer.
Clinical studies	Experiments in the development of a new drug candidate involving testing in humans to establish the drug's safety and efficacy profile.
Cmax	The maximum concentration of a drug in the body after dosing.
CMC	Chemistry, Manufacturing and Control.
CNS	Central nervous system, which consists of the brain and the spinal cord.
Co-morbid cognitive deficits	The presence of cognitive disorders in addition to the primary disease.
Cognitive	Awareness with perception, reasoning and judgement, intuition, and memory; The mental process by which knowledge is acquired.
Cognitive	Refers to the ability to think, learn and remember.
Composition-of-matter claims	Patent claims directed to the physical entity as such, e.g., the chemical substance (the chemical compound, salt or a crystalline form hereof). Composition of matter claims are regarded contrary to "use claims", that are patent claims directed to a specific use of the physical entity.
Compound	Chemical substance.
COPD	Chronic Obstructive Pulmonary Disease.
Cortical dopamine transmission	The interaction of dopamine with dopamine receptors taking place in Cerebral cortex.
CYP2D6 phenotype	CYP2D6 is one of the most important enzymes involved in the metabolism of drugs in the body. Individuals express different forms (phenotypes) of the enzyme.
Dementia	The loss of intellectual functions (such as thinking, remembering and reasoning) of sufficient severity to interfere with a person's daily functioning. Dementia is not a disease itself but rather a group of symptoms that may accompany certain diseases or conditions.
DIO Rat	Diet-induced obese rats. An animal model mimicking the human response to high-fat diet.
Dopamine	Modulatory neurotransmitter of major importance, for example, in Parkinson's disease.
Dopamine receptor antagonism	The situation where a dopamine receptors are inhibited by a dopamine antagonist.
Dopaminergic stabiliser	A compound that can both enhance and counteract dopaminergic effects, depending on the initial level of dopaminergic activity.
Double-blind	Clinical study in which neither the investigators assessing the outcome of the study nor the subjects know which treatment the subject is receiving. The outcome can only be determined when the results are decoded.
Drug candidate	Chemical substance under development with a view to becoming an approved and marketed drug.
Dyskinesia	Abnormality in performing voluntary muscle movements.
ECG	Electrocardiogram; measures heart activity.
EMEA	The European Medicines Agency.
Epilepsy	An epileptic seizure is a symptom of a brain dysfunction. The term "epilepsy" covers repeated, spontaneously occurring seizure.
FDA	Food and Drug Administration.
GABA	Gamma-aminobutyric acid. The primary inhibitory neurotransmitter in the brain.
GABA (receptor) modulators	A substance which interacts with GABA receptors, thereby interfering with the action of GABA.

GLP	Good Laboratory Practice. A collection of detailed standards that mandate specific operating procedures that cover operating procedures for basic research, data acquisition and reporting. Also included are laboratory design and utilisation requirements, such as finishes and number of air changes, which are enforced by regulatory agencies.
Glutamate receptors	Receptors that selectively bind glutamate.
GMP	Good Manufacturing Practice. The part of the quality assurance which ensures that medicinal products are consistently produced and controlled to the quality standards appropriate to their intended use.
hERG	Human ether-a-gogo related gene. The gene encodes an ion channel which is vital to normal repolarisation of cardiac action potentials.
HDSA	Huntington's Disease Society of America.
Huntington's disease	An inherited, degenerative brain disease affecting the mind and body, characterized by intellectual decline and involuntary movement of limbs.
Hypoglutamatergia	Situations where the level of glutamate in the brain is decreased.
Hypokinesia	Limited movements.
IFRS	International Financial Reporting Standards.
In vitro	Pertaining to a biochemical process or reaction taking place in a test-tube (or more broadly, in a lab) as opposed to taking place in a living cell or organism. Compare to in vivo.
In vivo	Pertaining to a biochemical process or reaction taking place in a living animal. Compare to in vitro.
IND	Investigational New Drug.
Inhibitor	A substance that inhibits normal physiological function of a receptor or an ion channel.
In-licensing	Agreement with a third party concerning the purchase or sale of the right to use patented rights.
Ion channel	Protein in a cell membrane that allows electrically-charged atoms (ions) to enter and exit.
ISP	Integrative Screening Process. The technology platform developed by Carlsson Research (now NeuroSearch Sweden).
Kinetic profile	The characteristics of a compound with respect to how it is absorbed, degraded and excreted by the body.
Levodopa	Also called L-dopa. The single most effective anti-Parkinson drug, it is changed into dopamine in the brain.
Locomotor	Movement.
Metabolism	The sum of the processes by which a particular substance is handled in the living body.
Milestone payment	Payment triggered by the occurrence of a pre-agreed event.
Modulator	A compound which alters the function of an ion channel or a receptor.
Monoamine reuptake inhibitor	A compound which inhibits reuptake of monoamine neurotransmitters such as dopamine, serotonin and noradrenaline into nerve cells. Thereby the effect of the neurotransmitter is enhanced.
Monoamine transporter	Synaptic proteins responsible for taking up monoamines into neurons.
Monoamines	A group of neurotransmitters comprising dopamine, serotonin and noradrenaline.
Mood stabilisers	Psychoactive medication which evens out mood swings in both directions. Lithium and valproic acid are the most commonly used.
Neuroleptics	Antipsychotic drugs which get rid of, or reduce, the intensity of psychotic experiences such as delusions and hallucinations. They also have a calming effect.
Neuropathic pain	Pain caused by damage to nerve cells.
Neurotransmitter	Chemical substance that transmits nerve impulses from one nerve cell to the next.
NNR modulators	Compounds which interact with neuronal nicotinic receptors.
Noradrenaline	Modulatory neurotransmitter. Changes in noradrenaline levels in the brain have been implicated in depression.
Open-label	A term used to describe the situation when both the researcher and the participant in a research study know the treatment the participant is receiving – in contrast to a double-blind study.
Orphan Drug designation	An FDA term for classification of a drug. Indicated for rare diseases. Gives the exclusive right to produce a drug that will be used by only an estimated small number of patients.
PANSS	The Positive and Negative Syndrome Scale. A 30-item scale with 16 general psychopathology symptom items, seven positive-symptom items, and seven negative symptom items. Used for measuring symptom reduction in schizophrenia patients in clinical studies.
Parkinsonism	Lack of voluntary movement.
Parkinson's disease	A chronic neurological disease that affects a small area of cells in the mid brain known as the substantia nigra. Gradual degeneration of these cells causes a reduction in brain levels of dopamine, which results in the symptoms: tremor or trembling of the arms, jaw, legs, and face; stiffness or rigidity of the limbs and trunk, slowness of movement; postural instability, or impaired balance and coordination.
PET	Positron emission tomography. A highly specialised imaging technique that uses short-lived radioactive substances to produce three-dimensional coloured images of those substances functioning within the body. These images are called PET scans and the technique is termed PET scanning.
Pharmacokinetics	The study of the absorption, distribution, Metabolism, and elimination of drugs.
Pharmacotherapies	Treatment of a disease with drugs.
Phase I	Clinical studies conducted to establish how the compound tested is absorbed, tolerated, metabolised and secreted in the human body. Traditionally, these studies involve a limited number of studies in small groups of healthy individuals.
Phase Ib	Studies of safety, tolerability and pharmacokinetics after repeated dosing of a drug candidate in patients.

Phase II	Studies conducted to determine the effect and tolerance of the drug candidate at various dosage levels. Conducted on a small number of carefully monitored patients suffering from the targeted disease. Phase I and Phase II studies often overlap.
Phase II/III	A phase in clinical development between Phase II and Phase III. Sufficient clinical and preclinical data is available for commencing Phase III.
Phase IIa	Preliminary Phase II studies performed to obtain an indication of the efficacy of a drug candidate, or to define doses to be investigated in subsequent clinical studies.
Phase IIb	Phase IIB clinical study is a study aimed at deciding whether a new treatment is sufficiently promising, relative to a standard therapy.
Phase III	Extensive clinical studies in a large number of patients. The drug is tested against placebos and existing treatments, if available. The studies are often double-blinded and require detailed statistical evaluations.
Placebo	Inactive compound used in clinical studies to give a baseline against which to determine the efficacy of the compound under study. A "placebo effect" is one in which a patient experiences an effect from taking "medication" even though it consists only of a placebo.
Placebo-controlled	A term used to describe a method of research in which placebo is given to one group of participants, while the treatment (usually a drug or vaccine) being tested is given to another group. The results obtained in the two groups are then compared to see if the investigational treatment is more effective than the placebo.
Potassium channel	An ion channel which selectively transports potassium ions.
Preclinical development	Consists primarily of chemical upscaling, animal toxicology and pharmokinetics in preparation for administration of the drug into humans.
Prefrontal cortex	The prefrontal cortex is the anterior part of the frontal lobes of the brain. It is implicated in planning complex cognitive behaviours, personality expression and moderating correct social behaviour.
Proof-of-concept	Statistical evidence of a medication's effect in the relevant patient population.
Psychomotor	Relating to or characterising mental events that have motor consequences or vice versa.
QTc	QT interval is a measure of the time between the start of the Q wave and the end of the T wave in the heart's electrical cycle. The "c" indicates that the measure has been corrected for the heart rate.
R&D	Research and development.
Randomised	A clinical study in which people are allocated at random (by chance alone) to receive one of several clinical interventions. One of these interventions is the standard of comparison or control. The control may be a standard practice, a Placebo, or no intervention at all.
Receptor	Specialised protein positioned on the cell membrane to which neurotransmitters or hormones bind and transmit signals.
Royalties	Licence payments, typically calculated as a percentage of revenue from a marketed product.
Screening	Rational testing of drug candidates in biological models.
SK channel	Small conductance potassium channel. A subtype of potassium channels.
Status epilepticus	Repeated convulsions that occur without a break of consciousness between them. This is a medical emergency that can result in permanent brain damage.
Subcortical regions	The part of the brain immediately below the cerebral cortex.
Synapse	A synapse is a junction between nerve cells where a nerve impulse is transferred from one neuron to another.
Trailmaking A test	A neuropsychological instrument that provides the examiner with information on a wide range of cognitive skills.
Transporter	Synaptic proteins responsible for transporting substances into or out of the cell. See also Monoamine transporters.
Type II diabetes	Previously known as "noninsulin-dependent diabetes mellitus" (NIDDM) or "adult-onset diabetes." Type II diabetes is the most common form of diabetes mellitus. People with Type II diabetes produce insulin, but either do not make enough insulin or their bodies do not use the insulin they make. Most of the people who have this type of diabetes are overweight.
UHDRS	Unified Huntington's Disease Rating Scale.
USPTO	United States Patent and Trademark Office.

Companies referred to in the Offering Circular

A. Carlsson Research AB
Abbott Laboratories Ltd.
Amarin Corporation Plc.
Astellas Pharma Inc.
Astion Pharma A/S
Atonomics A/S
Bavarian Nordic A/S
Boehringer Ingelheim GmbH
Carnegie Bank A/S
Danske Bank A/S
GlaxoSmithKline plc.
Harris FRC Corporation
HeadExplorer A/S
Henning Larsens Tegnestue A/S
Johnson & Johnson
LEO Pharma A/S
Maersk Medical A/S
MB IT Consulting A/S
Medicult A/S
Merck KgaA
NeuroCon ApS
Neurodan A/S
NeuroScreen ApS
NeuroSearch A/S
NicOx SA
Nordea Bank Danmark A/S
NsExplorer A/S
NsGene A/S
NV Organon
Oppenheimer Funds Inc.
PainCeptor Corporation Inc.
Pfizer Inc.
Pharmexa A/S
Poseidon Pharmaceuticals A/S
PricewaterhouseCoopers
Robinson Webster (Danmark) A/S
Sandoz International GmbH
Sanofi-Aventis
Schwartz Pharma Inc.
Shire Pharmaceutical Group Plc.
Sophion Bioscience A/S
ZGene A/S

NEUROSEARCH A/S

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PART II
INFORMATION ABOUT NEUROSEARCH'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND RESULTS OF OPERATIONS

II Information about NeuroSearch's assets and liabilities, financial position and results of operations

1. Pro forma financial information

2. Historical financial information

1. Preparation of pro forma financial information

1.a. Introduction

In the opinion of the Executive Management and the Board of Directors, NeuroSearch's acquisition of Carlsson Research in 2006 is subject to the rules on complex financial history under the Commission Regulation (EC) 809/2004 of 29 April 2004, Annex II, as amended. On this basis, the Executive Management and the Board of Directors have chosen to include a description of how the acquisition would have affected NeuroSearch's results of operations for the six months ended 30 June 2006 and the year ended 31 December 2006 had the acquisition been made on 1 January 2006. The pro forma income statement for the six months ended 30 June 2006 is included to present a comparable basis for the six months ended 30 June 2007 and appears from tables 3 and 22 earlier in this Offering Circular. The pro forma income statement for the year ended 31 December 2006 has been included to present a pro forma income statement for a full year.

Management believes that this pro forma financial information is relevant to the investors, but it is hypothetical, for information purposes only, and is not intended to represent or show the Group's results of operations or financial position, as they would have been reported had the combination been completed at a date prior to 23 October 2006, and the information should not be considered an indication of the Group's future results of operations or financial position.

The acquisition of Carlsson Research was completed on 23 October 2006, and in accordance with the International Financial Reporting Standards (IFRS) the acquisition was fully incorporated into the Company's published annual report for 2006, which shows NeuroSearch's assets, liabilities and financial position at 31 December 2006. Consequently, the pro forma financial information does not include any further pro forma financial information about the Group's assets, liabilities and financial position.

Statement by Executive Management and the Board of Directors

The Executive Management and the Board of Directors have presented the pro forma financial information which comprises the income statement for the six months ended 30 June 2006 and the income statement for the year ended 31 December 2006 for the combined NeuroSearch and Carlsson Research, in sections 1.b and 1.c below. The pro forma financial information has been prepared for use in this Offering Circular. In the opinion of the Executive Management and the Board of Directors, this presentation, which has been prepared solely for use in this Offering Circular, contains meaningful comparable information about the results of operations of the existing activities. This presentation is not intended to constitute or show the combined results of the Group as they would have been reported had the combination been completed as of the dates presented. The presentation should not be considered an indication of the expected future combined results of NeuroSearch after the combination.

The pro forma financial information is based on a number of adjustments and assumptions, some of which are beyond the influence of the Executive Management and the Board of Directors. The methods applied in the preparation of the pro forma financial information and the underlying adjustments and assumptions are described in the notes to the pro forma financial information. Due to the method applied in the preparation of the pro forma financial information and the uncertainty involved in the applied adjustments and assumptions, the actual results may deviate significantly from the results stated in the pro forma financial information.

The pro forma financial information, which comprises the income statement for the six months ended 30 June 2006 and the income statement for the year ended 31 December 2006, has been prepared in accordance with the method, adjustments and assumptions specified.

Ballerup, 31 October 2007

Executive Management

Flemming Pedersen

Board of Directors

Asger Aamund	Marianne Philip	Allan Andersen
Torbjörn Bjerke	Jørgen Buus Lassen	Torben Skov
Lars Siim Madsen		

Independent auditor's report

We have examined the accompanying pro forma financial information which comprises the income statement for the six months ended 30 June 2006 and the income statement for the year ended 31 December 2006 included in Part II, pages 6 to 12 in the Offering Circular of NeuroSearch and which has been prepared under Commission Regulation (EC) 809/2004 of 29 April 2004, Annex II, as amended.

This pro forma financial information has been prepared solely to show how the acquisition of Carlsson Research on 23 October 2006 would have affected the results of the activities of NeuroSearch for the six months ended 30 June 2006 and the year ended 31 December 2006, had the acquisition been made on 1 January 2006.

The Executive Management and Board of Directors of the Company are responsible for the pro forma financial information which comprises the income statement for the six months ended 30 June 2006 and the income statement for the year ended 31 December 2006. Our responsibility is to express an opinion on whether the pro forma financial information has been properly compiled and whether the pro forma financial information has been prepared based on the basis described in the pro forma financial information and in accordance with NeuroSearch's current accounting policies. We are not responsible for expressing any other opinion on the pro forma financial information or on any of its constituent elements.

Work performed
We conducted our examination in accordance with International Standards on Assurance Engagements (ISAE 3000) to obtain limited assurance for our opinion. Our work first and foremost comprised a comparison of the historical, unadjusted pro forma financial information of NeuroSearch with the consolidated financial statements of NeuroSearch for the six month ended 30 June 2006 and the year ended 31 December 2006 as stated elsewhere in Part II, and a comparison of the historical, unadjusted pro forma financial information of Carlsson Research with the interim financial statements of Carlsson Research for the six month ended 30 June 2006 and for the six month ended 30 December 2006 as stated elsewhere in Part II, in order to obtain evidence supporting the adjustments and discussing the pro forma financial information with the Management of the Company.

We believe that the work performed provides a reasonable basis for our opinion.

Conclusions on work performed
Based on our examination, nothing has come to our attention that causes us to believe:

that the pro forma financial information has not been properly compiled on the basis stated; and
that such basis is not consistent with NeuroSearch's accounting policies

Emphasis of matter
Without qualifying our opinion, we draw attention to the fact that, as outlined in the notes to the pro forma financial information, this pro forma information is prepared by using the Executive Management's and the Board of Directors' assumptions. It is not necessarily indicative of the effects on the financial position that would have been attained had the above-mentioned transactions actually occurred earlier. Moreover this accompanying pro forma financial information is not intended to, and does not provide all the information and disclosures necessary to present a true and fair view in accordance with International Financial Reporting Standards.

Copenhagen, 31 October 2007

PricewaterhouseCoopers
Statsautoriseret Revisionsaktieselskab

Mogens Nørgaard Mogensen
State Authorised Public Accountant

Brian Benjamin Staalkjær
State Authorised Public Accountant

1.b. Pro forma income statement for the six months ended 30 June 2006

Income statement

The following compilation shows selected unaudited pro forma financial information for the combined NeuroSearch and Carlsson Research for the six months ended 30 June 2006. Management believes that this presentation, prepared solely for use in this Offering Circular, contains meaningful, comparable information about the existing activities, but the presentation is not intended to constitute or show the aggregated results or the financial position of NeuroSearch, as they would have been reported had the combination been completed at the presented dates. The presentation should not be considered an indication of the future aggregated results or the future financial position of NeuroSearch.

The selected historical financial information of NeuroSearch and Carlsson Research stated below has been derived from the audited interim financial statements for the six months ended 30 June 2006 included elsewhere in this Offering Circular and should be read in conjunction therewith.

The audited interim financial statements of NeuroSearch have been prepared in accordance with the recognition and measurement requirements of the International Financial Reporting Standards as adopted by the EU and in accordance with the accounting policies specified in Part II. The accounting polices are in accordance with the International Financial Reporting Standards as adopted by the EU. The audited interim financial statements of Carlsson Research have been prepared in accordance with Swedish accounting standards.

Pro forma income statement

(DKK thousands)
For the period 1 January - 30 June 2006
(Unaudited)

	Carlsson Research (historical)	Adjustments to IFRS and NeuroSearch's accounting policies	Carlsson Research (adjusted)	NeuroSearch (historical)	Pro forma adjustments	Pro forma combined
Revenue	6 [(a)]	-	6	32,984 [(c)]	-	32,990
Total revenue			6	32,984	-	32,990
Research and development costs	8,501 [(a)]	5,868 [(b)]	14,369	102,840 [(c)]	-	117,209
General and administrative costs	4,004 [(a)]	-	4,004	13,156 [(c)]	-	17,160
Total costs	12,505	5,868	18,373	115,996	-	134,369
Operating profit/(loss)	(12,498)	(5,868)	(18,366)	(83,012)	-	(101,378)
Total financials	278 [(a)]	-	278	(15,529) [(c)]	(4,094) [(d)]	(19,345)
Profit/(loss) before taxes	(12,220)	(5,868)	(18,088)	(98,541)	(4,094)	(120,723)
Taxes	3,413 [(a)]	(3,413) [(b)]	-	-	-	-
Profit/(loss) for the year	**(8,807)** [(a)]	**(9,281)** [(b)]	**(18,088)**	**(98,541)** [(c)]	**(4,094)** [(d)]	**(120,723)**
Dividends paid during the financial year				-	-	-
Earnings per share, DKK				(12.46)		(15.48)
Diluted earnings per share, DKK				(12.46)		(15.48)
Average number of outstanding shares (in thousands)				7,905		7,800
Average diluted number of outstanding shares (in thousands)				7,905		7,800

The pro forma financial information should be read in conjunction with the related notes to the pro forma financial information for the six months ended 30 June 2006.

Notes to the pro forma financial information

1. Basis of presentation of the pro forma financial information

The unaudited pro forma financial information for the six months ended 30 June 2006 presents the effect on the period of the acquisition of Carlsson Research as if the acquisition had been made on 1 January 2006. The unaudited pro forma financial information does not contain balance sheet information at 30 June 2006. Accordingly, the pro forma financial information has not been prepared as a full set of financial statements. The pro forma financial information is based on the historical financial statements of NeuroSearch and Carlsson Research for the six months ended 30 June 2006.

2. Pro forma adjustments

The unaudited pro forma financial information for the combined NeuroSearch and Carlsson Research has been adjusted as follows:

(a) To reflect the audited historical financial information of Carlsson Research as described above, the historical financial information has been translated into DKK at the exchange rate described in the section "General information".

(b) For the purpose of the pro forma financial information, the historical financial information of Carlsson Research has been restated in accordance with the International Financial Reporting Standards as adopted by the EU, and in accordance with NeuroSearch's accounting policies as described in Part II.

Management believes that, in view of the general risk related to the development of pharmaceutical products, reasonable certainty as defined in IAS 38 cannot be obtained at the present time that sufficient future earnings will be achieved, and all in-house development costs are therefore expensed in the year in which they are incurred. The future economic benefits relating to future product development cannot be estimated with sufficient certainty until the development has been completed and the necessary regulatory approvals have been obtained. Consequently, an adjustment of DKK 5.9 million (EUR 0.8 million) has been made for the period 1 January to 30 June 2006.

Furthermore, Management has carefully considered whether the tax asset should be recognised as income in the income statement and as an asset in the balance sheet. However, based on the accounting criteria in the International Financial Reporting Standards, Management believes that it is not yet possible to recognise the tax asset. Consequently, an adjustment of DKK 3.5 million (EUR 0.5 million) has been made for the period 1 January to 30 June 2006.

(c) The financial information of NeuroSearch, which has been derived from the consolidated interim financial statements contained elsewhere in this Offering Circular, constitutes extracts from the Company's published interim report for the six months ended 30 June 2006.

(d) The difference between the consideration agreed in the Carlsson Research Agreement and the net present value of future milestone payments reflects a financial expense, which is accrued over the period. A financial expense calculated at a discounted rate of return based on the conditions existing at the date of acquisition, 23 October 2006, has been recognised in the pro forma income statement for the six months ended 30 June 2006. The financial expense has been determined at DKK 4.1 million (EUR 0.6 million) for the six months ended 30 June 2006.

1.c. Pro forma income statement for year ended 31 December 2006

Income statement

On 23 October 2006, NeuroSearch completed the acquisition of Carlsson Research, and in accordance with the International Financial Reporting Standards, Carlsson Research was included in the consolidated annual report of NeuroSearch for 2006 as from this date. The description below of the pro forma financial information for the year ended 31 December, which does not contain a break-down of the acquisition price and other adjustments related to the acquisition, is based on information available at the present time and certain assumptions which NeuroSearch considers reasonable. Reference is made to the notes to the financial statements for details of how the pro forma adjustments are presented in the unaudited pro forma financial statements.

The selected historical financial information of NeuroSearch for the year ended 31 December 2006 and of Carlsson Research for the six months ended 30 June 2006 and the six months ended 31 December 2006 has been derived from the audited consolidated financial statements of NeuroSearch for 2006 and the audited interim financial statements of Carlsson Research for the six months ended 30 June 2006 and the six months ended 31 December 2006, respectively, which are included elsewhere in this Offering Circular and should be read in conjunction therewith.

The audited consolidated financial statements of NeuroSearch have been prepared in accordance with the accounting policies described in Part II. The accounting policies are in accordance with the International Financial Reporting Standards as adopted by the EU. The interim financial statements of Carlsson Research have been prepared in accordance with Swedish accounting standards.

Pro forma income statement

(DKK thousands)
For the period 1 January – 31 December 2006
(Unaudited)

	NeuroSearch consolidated financial statements 2006 from the annual report	Adjustments for the effect of Carlsson Research for the period 23/10 - 31/12 2006	Carlsson Research interim financial statements for H1 2006 (historical)	Carlsson Research interim financial statements for H2 2006 (historical)	Adjustments to Neuro-Search's accounting policies	Pro forma combined
Revenue	66,341 [(a)]	(355) [(b)]	6 [(c)]	355 [(d)]	-	66,348
Total revenue	66,341	(355)	6	355	-	66,348
Research and development costs	(227,179) [(a)]	12,621 [(b)]	(8,501) [(c)]	(3,413) [(d)]	(24,869) [(e)]	(251,340)
General and administrative costs	(25,868) [(a)]	844 [(b)]	(4,004) [(c)]	(2,022) [(d)]	-	(31,050)
Total costs	(253,047)	13,465	(12,505)	(5,435)	(24,869)	(282,391)
Operating profit/(loss)	(186,706)	13,110	(12,498)	(5,080)	(24,869)	(216,043)
Total financials	(25,460) [(a)]	(108) [(b)]	278 [(c)]	125 [(d)]	(6,749) [(e)]	(31,914)
Profit/(loss) before taxes	(212,166)	13,002	(12,220)	(4,955)	(31,618)	(247,957)
Taxes	-	-	3,413	-	(3,413) [(e)]	-
Profit/(loss) for the year	**(212,166) [(a)]**	**13,002 [(b)]**	**(8,807) [(c)]**	**(4,955) [(d)]**	**(35,031)**	**(247,957)**
Earnings per share, DKK	(24.17)					(28.24)
Diluted earnings per share, DKK	(24.17)					(28.24)
Average number of outstanding shares (in thousands)	8,779					8,779
Average diluted number of outstanding shares (in thousands)	8,779					8,779

The pro forma financial information should be read in conjunction with the related notes to the pro forma financial information for the year ended 31 December 2006.

Notes to the pro forma financial information

1. Basis of presentation of the pro forma financial information

The unaudited pro forma financial information for the year ended 31 December 2006 presents the effect on the income statement of the acquisition of Carlsson Research as if the acquisition had been made on 1 January 2006. The unaudited pro forma financial information does not contain balance sheet information at 31 December 2006 and has therefore not been prepared as a full set of financial statements. The pro forma financial information is based on the historical financial statements of NeuroSearch for 2006 and Carlsson Research for the six months ended 30 June 2006 and the six months ended 31 December 2006.

2. Pro forma adjustments

The unaudited pro forma financial information of the combined NeuroSearch and Carlsson Research has been adjusted as follows:

(a) The financial information of NeuroSearch, which has been derived from the consolidated financial statements contained elsewhere in this Offering Circular, constitutes extracts from the Company's published annual report for 2006, which was presented by the Company's Executive Management and Board of Directors on 5 March 2007. The consolidated financial statements contain the income statement of Carlsson Research for the period from and including the date of acquisition, 23 October 2006, until 31 December 2006.

(b) In the preparation of the pro forma financial information for 2006, adjustments were made for the effect on the consolidated financial statements of Carlsson Research's results of operations for the period from and including the date of acquisition, 23 October 2006, until 31 December 2006, prepared on the basis of Carlsson Research's accounting records for the period 23 October - 31 December 2006. Adjustments have not been made for the elimination of intra-group transactions as these should also be included in the pro forma combined financial statements.

(c) The financial information of Carlsson Research for the six months ended 30 June 2006 has been derived from the historical financial information contained elsewhere in this Offering Circular. The financial information for the six months ended 30 June 2006 has been prepared in accordance with Swedish accounting standards and is presented in Swedish kroner.

In order to present the audited historical financial information of Carlsson Research as described in Part II, the historical financial information has been translated into DKK at the exchange rate stated in the section "General information".

(d) The financial information of Carlsson Research for the six months ended 31 December 2006 has been derived from the historical financial information contained elsewhere in this Offering Circular. The financial information for the six months ended 31 December 2006 has been prepared in accordance with Swedish accounting standards and is presented in Swedish kroner.

In order to present the audited historical financial information of Carlsson Research as described in Part II, the historical financial information has been translated into DKK at the exchange rate stated in the section "General information".

(e) For the purpose of the pro forma financial information, the historical financial information of Carlsson Research has been adjusted in accordance with the International Financial Reporting Standards as adopted by the EU, and in accordance with the accounting policies of NeuroSearch as described in Part II.

In connection with the preparation of the annual report 2006 for NeuroSearch, Executive Management and the Board of Directors considered that, in view of the general risk related to the development of pharmaceutical products, reasonable certainty as defined in IAS 38 cannot be obtained at the present time that reasonable future earnings will be achieved, and all in-house development costs are therefore expensed in the year in which they are incurred. The future ecomomic ben-

efits relating to future product development cannot be estimated with reasonable certainty until the development has been completed and the nesessary regulatory approvals have been obtained. Consequently an adjustment of DKK 24.9 million (EUR 3.3 million) has been made for the year ended 31 December 2006.

Furthermore an adjustment has been made for the amortisation of the contingent considerations in connection with the acquisition of Carlsson Research which is included in the consolidated financial statements for 2006. The difference between the consideration agreed in the Share Purchase Agreement and the net present value of future milestone payments reflects a financial expense, which is accrued over the period. A financial expense calculated at a discounted rate of return based on the conditions existing at the date of acquisition, 23 October 2006, was recognised in the pro forma income statement for the year ended 31 December 2006. The financial expense was calculated at DKK 8.4 million (EUR 1.1 million) for the year ended 31 December 2006 of which the actual expense for the period 23 October to 31 December was already recognised in the consolidated financial statements for 2006 at an amount of DKK 1.6 million (EUR 0.2 million). Thus, a further adjustment was made for a further financial expense of DKK 6.7 million (EUR 0.9 million).

Finally, Management has considered whether the tax asset should be recognised as income in the income statement or as an asset in the balance sheet. However, based on the accounting criteria of the International Financial Reporting Standards, Management believes that it is not yet possible to recognise the tax asset. Consequently, an adjustment of DKK 3.4 million (EUR 0.5 million) has been made for the period 1 January to 31 December 2006.

2. Historical financial information

Each of NeuroSearch's published annual reports for the years ended 31 December 2004, 2005 and 2006 and the interim report for the six months ended 30 June 2007 includes a management's statement, which is included in this Offering Circular, and is accompanied by a management review which is incorporated herein by reference as described below. Such reviews speak only as of the date they were published and have since been updated, and in certain cases superseded, by the information found in this Offering Circular, in particular in section "I.8 Review of operations and financial statements" and section "I.9 Capital resources".

Disclosure elements	Reference
Management's report for the six months ended 30 June 2007	The Company's interim report for the six months ended 30 June 2007, pages 4 – 12
Management's report for the 2006 financial year	The Company's 2006 annual report, pages 4 – 39
Management's report for the 2005 financial year	The Company's 2005 annual report, pages 4 – 33
Management's report for the 2004 financial year	The Company's 2004 annual report, pages 3 – 33

2.a. NeuroSearch - consolidated financial statements 2004, 2005 and 2006

Introduction

The consolidated financial statements below are an extract of the Company's 2006 annual report, which was considered and approved by the Executive Management and the Board of Directors on 5 March 2007 and adopted at the Company's annual general meeting held on 25 April 2007. Furthermore, the consolidated financial statements below are an extract of the Company's 2005 annual report, which was considered and approved by the Executive Management and the Board of Directors on 8 March 2006 and adopted at the Company's annual general meeting held on 25 April 2006. Finally, the consolidated financial statements below are an extract of the Company's 2004 annual report, which was considered and approved by the Executive Management and the Board of Directors on 9 March 2005 and adopted at the Company's annual general meeting held on 27 April 2005.

The published annual reports for 2004, 2005 and 2006 comprise Management's review (including the financial review), parent company financial statements and consolidated financial statements including the accounting policies, notes, etc. Management's review and the parent company financial statements have been incorporated into this Offering Circular by reference, as set forth above.

Statement by the Executive Management and the Board of Directors

The Executive Management and the Board of Directors have considered and approved the annual reports of NeuroSearch A/S for 2004, 2005 and 2006 on 9 March 2005, 8 March 2006 and 5 March 2007, respectively. The consolidated financial statements for the financial years 2004, 2005 and 2006 included in this Offering Circular were prepared for the purpose of the Offering and extracted from the published annual reports for the financial years 2004, 2005 and 2006.

We consider the consolidated financial statements presented in Part II, to be in all material respects consistert with the published annual reports for 2004, 2005 and 2006 from which they have been extracted.

Ballerup, 3 October 2007

Executive Management

Flemming Pedersen

Board of Directors

Asger Aamund	Marianne Philip	Allan Andersen
Torbjörn Bjerke	Jørgen Buus Lassen	Torben Skov
Lars Siim Madsen		

Independent auditor's report

We have audited the annual reports for the financial years 2004, 2005 and 2006 prepared and published by the Executive Management and the Board of Directors, from which the consolidated financial statements set out in Part II, pages 16 to 51 have been extracted. The annual reports for 2004, 2005 and 2006 were prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies. In our auditor's report on the annual report for the financial year 2006 dated 5 March 2007, our auditor's report on the annual report for the financial year 2005 dated 8 March 2006 and our auditor's report on the annual report for the financial year 2004 dated 9 March 2005, we expressed unqualified opinions without any emphasis of matter.

The Company's Executive Management and Board of Directors are responsible for the preparation of the consolidated financial statements. Our responsibility is to express an opinion, based on our work, on whether the consolidated financial statements have been correctly extracted and reproduced from the audited annual reports.

Basis of opinion
We performed our work in accordance with International Standards on Auditing. Those standards require that we plan and perform our work to obtain reasonable assurance in respect of our opinion. As part of our work, we have checked the information in the consolidated financial statements and have ensured that the consolidated financial statements have been correctly extracted and reproduced from the audited annual reports for 2004, 2005 and 2006. We believe that the work performed provides a reasonable basis for our opinion.

Opinion
In our opinion, the consolidated financial statements have been correctly extracted and reproduced from the Company's annual reports for 2004, 2005 and 2006.

Copenhagen, 3 October 2007
PricewaterhouseCoopers
Statsautoriseret Revisionsaktieselskab

Mogens Nørgaard Mogensen
State Authorised Public Accountant

Brian Benjamin Staalkjær
State Authorised Public Accountant

Accounting policies

NeuroSearch's accounting policies applied in the preparation of the consolidated financial statements are set out below. These accounting policies have been consistently applied in the financial year and to the comparative figures.

BASIS OF PREPARATION

The Annual Report has been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for the annual reports of listed companies. Additional Danish disclosure requirements for the presentation of financial statements are imposed by the Statutory Order on Adoption of the International Financial Reporting Standards issued under the Danish Financial Statements Act and by the OMX Nordic Exchange Copenhagen.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with the International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires Management to exercise its judgment in the process of applying NeuroSearch's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 1.

The consolidated financial statements are presented in DKK, which is the functional currency.

Adoption of new standards

NeuroSearch opted for early implementation in 2005 of the revision of IAS 39 "Fair value option", which restricted the opportunity of classifying a financial instrument as "Fair value through profit or loss". Under the existing rules, a company could classify any financial asset or any financial liability in this category. The change means that certain criteria must be met for holdings of securities outside the trading portfolio to be classified in the category "Fair value through profit or loss". Similarly, NeuroSearch opted for early implementation of IFRS 7 "Financial instruments: Disclosures", and the updated IAS 1 which continue a number of the disclosure requirements from IAS 32, but which also introduce new requirements. The main change relative to IAS 32 is that disclosures are now required on financial risks based on information reported internally to Management, and the financial risks must be quantified by way of disclosure of the effect on profit and equity of a probable change in the financial risk variables at the balance sheet date.

In addition, a number of changes to the existing International Financial Reporting Standards that have all been adopted by the EU have come into force for the 2006 financial year. With effect from 1 January 2006, NeuroSearch has implemented all relevant new and revised financial reporting standards issued by the IASB and in force from 1 January 2006. The implementation of these new and revised standards has not affected the financial reporting of the Group for the periods presented.

There are a number of standards and interpretations which NeuroSearch must implement in 2007. The standards and interpretations that have not yet come into force are the following: IFRS 8 "Segment information, IFRIC 7: Applying the restatement approach under IAS 29, IFRIC 8: Scope of IFRS 2, IFRIC 9: Reassessment of embedded derivatives (all standards/interpretations adopted by the EU) and IFRIC 10: Interim financial reporting and impairment, IFRIC 11: IFRS 2 – Group and treasury share transactions, IFRIC 12: Service concession agreements (all standards/interpretations that have not been adopted by the EU). It is expected that the application of these standards and interpretations will not have a material effect on the consolidated financial statements.

Basis of consolidation

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are continuously exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The consolidated financial statements are prepared by adding the audited financial statements of the parent company and the individual subsidiaries, all of which are prepared in accordance with the Group's accounting policies. On consolidation, intercompany income and expenses, share-

holdings, balances, dividends and unrealised intercompany gains and losses are eliminated.

All subsidiaries are consolidated:
- NeuroSearch Sweden AB
- Poseidon Pharmaceuticals A/S
- NeuroScreen ApS
- NsExplorer A/S

Business combinations
Newly acquired or newly established companies are recognised in the consolidated financial statements from the date of acquisition. The comparative figures are not adjusted to reflect acquisitions.

The purchase method is applied for acquisitions if NeuroSearch A/S gains control of the company acquired. Identifiable assets, liabilities and contingent liabilities in companies acquired are measured at the fair value at the date of acquisition. Identifiable intangible assets are recognised if they can be separated or arise from a contractual right and the fair value can be reliably measured. Deferred tax on revaluations made is recognised.

The date of acquisition is the date on which control of the acquired company actually passes to NeuroSearch A/S.

For business combinations, any excess of the cost of acquisition over the fair value of the acquired identifiable assets, liabilities and contingent liabilities is recognised as goodwill under intangible assets. Goodwill is not amortised, but is tested for impairment annually. The first impairment test is performed before the end of the year of acquisition. On acquisition, goodwill is transferred to the cash-generating units which will subsequently form the basis for future impairment tests. Any goodwill arising and any fair value adjustments made on the acquisition of a foreign entity whose functional currency is not the same as the NeuroSearch Group's presentation currency are treated as assets and liabilities of the foreign entity and translated to the foreign entity's functional currency at the exchange rate at the transaction date. Any excess of the fair value over the cost of acquisition (negative goodwill) is recognised in the income statement at the acquisition date.

The cost of a company is the fair value of the agreed consideration paid plus costs directly attributable to the acquisition. If parts of the consideration are conditional on future events, these parts of the consideration are recognised in cost to the extent the events are likely and the consideration can be reliably measured.

If the measurement of acquired identifiable assets, liabilities and contingent liabilities is subject to uncertainty at the time of acquisition, initial recognition will be made on the basis of a preliminary calculation of fair values. If it later turns out that the identifiable assets, liabilities and contingent liabilities had a different fair value at the time of acquisition than that originally assumed, goodwill will be adjusted until 12 months after the acquisition. The effect of the adjustments will be recognised in the opening shareholders' equity, and the comparative figures will be restated accordingly. Henceforth, goodwill will be adjusted only to reflect changes in estimates of contingent consideration, apart from material errors. However, where the acquired company's deferred tax assets not recognised at the date of acquisition are subsequently realised, the tax benefit is recognised in the income statement, and the carrying amount of goodwill will concurrently be written down to such amount as would have been recognised had the deferred tax asset been recognised as an identifiable asset at the date of acquisition.

Any gains or losses on the disposal of subsidiaries and associates are stated as the difference between the sales amount and the carrying amount of net assets, including goodwill, at the date of disposal plus anticipated disposal costs.

Segment information
The Group is managed as a single business unit operating in the Nordic region, which is considered a single geographic market. It is not possible to identify separate business areas for the individual product candidates or geographic markets. Therefore, it is not relevant to report segment information by business segments or geographic markets.

Foreign currency translation
For each of the reporting companies in the Group, a functional currency is determined. The functional currency is the currency used in the primary economic environment in which the individual reporting entity operates. Transactions in currencies other than the functional currency are transactions denominated in foreign currencies.

On initial recognition, transactions denominated in foreign currencies are translated into the functional currency at the exchange rate ruling at the transaction date. Exchange differences arising between the exchange rate at the transaction date and the exchange rate at the date of actual payment are recognised in the income statement under financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated into the functional

currency at the exchange rates ruling at the balance sheet date. The difference between the exchange rate ruling at the balance sheet date and the exchange rate ruling at the date when the receivable or payable arose or the exchange rate applied in the most recent annual report is recognised in the income statement under financial income or financial expenses.

On consolidation of companies with functional currencies other than DKK, the income statements are translated at the exchange rates ruling at the transaction date and the balance sheets are translated at the exchange rates ruling at the balance sheet date. The average exchange rate for each individual month is used as the transaction date, provided this does not give a much different view. Exchange differences arising on the translation of the opening equity of such companies at the exchange rates ruling at the balance sheet date and on the translation of the income statements from the exchange rates ruling at the transaction date to the exchange rates ruling at the balance sheet date are taken directly to equity in a separate reserve for currency translation.

Foreign exchange adjustments of balances that are considered as part of the overall net investment in companies with functional currencies other than DKK are recognised directly in equity in the consolidated financial statements in a separate reserve for currency translation. Similarly, exchange gains and losses on the part of loans and derivative financial instruments effectively hedging the net investment in such companies and which effectively hedge against corresponding exchange gains/losses on the net investment in the companies are taken directly to equity in the consolidated financial statements in a separate reserve for currency translation. On full or partial divestment of foreign entities or on repayment of balances that are considered to be part of the net investment, the attributable part of the accumulated exchange rate adjustments recognised directly in equity is recognised in the income statement together with any gain or loss on the divestment.

Hedge accounting

Changes in the fair value of derivative financial instruments designated as and qualifying as hedges of expected future transactions are recognised in equity under retained earnings with respect to the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in the recognition of an asset or a liability, the amount previously deferred in equity is transferred from equity and included in the cost of the asset or liability respectively. If the hedged transaction results in income or expense, the amount deferred under equity is transferred from equity to the income statement in the period when the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Changes in the fair value of derivative financial instruments designated as and qualifying as hedges of net investments in independent foreign subsidiaries or associates and which effectively hedge against exchange rate changes in these companies are recognised directly in equity in a separate reserve for currency translation.

The Group does not use derivative financial instruments to hedge the fair value of a recognised asset or a recognised liability.

Income tax and deferred tax

Tax on income for the year, consisting of the year's current tax and deferred tax, is recognised in the income statement to the extent that it relates to the income or loss for the year and in equity to the extent that it relates to amounts recognised in equity. Current tax liabilities are recognised in the balance sheet as short-term liabilities to the extent such items have not been paid. If the tax paid during the year exceeds current tax for the year and prior years, the amount expected to be repaid is recognised in the balance sheet under receivables. Current tax includes tax payable based on the year's expected taxable income and any adjustments of prior year tax charged to the income statement.

Deferred taxation is calculated on all temporary differences between accounting and tax values. Deferred tax is calculated at the rate of 28%. Deferred tax arising on tax-deductible temporary differences (tax assets) is included in the balance sheet only if there is reasonable certainty that the tax assets can be set off by NeuroSearch A/S against future taxable income. The amount of tax-deductible temporary differences which are not capitalised is disclosed in a note to the financial statements.

NeuroSearch A/S is jointly taxed with its Danish group companies. The jointly taxable income is stated as the sum of the individual results of the group companies after deduction of loss carry-forwards, as separate losses from previous assessment years may only be deducted and carried forward in the individual company. In case of carry-forward, the oldest losses must be set off first.

If the jointly taxable income is positive, the profit is distributed proportionately between the profit-making companies. If the jointly taxable income is negative, the loss is distributed proportionately between the loss-making companies

and carried forward in the company in question for setoff in subsequent years.

Leasing
Lease contracts under which substantially all the risks and rewards incidental to ownership are transferred to the Group are classified as finance leases. Assets held under finance leases are recognised in the balance sheet at the lower of the fair value and the net present value of the minimum lease payments at the inception of the lease, and the corresponding amount is included in liabilities. The present value of the future lease payments is calculated using the interest rate implicit in the lease. The lease payments are deemed to comprise interest and repayments. Interest is charged to the income statement. The assets are depreciated over their expected useful economic lives like other similar groups of assets or over the shorter lease term, and the liability is reduced by the repayment portion of the lease payment.

Lease payments for assets held under operating leases are charged to the income statement on a straight-line basis. Commitments under operating leases are disclosed in the notes to the financial statements.

Share-based payment (warrants)
NeuroSearch has established equity-settled share-based payment plans (warrants). Warrants granted after 7 November 2002 and which had not yet vested on 1 January 2004 are treated as described below. According to the transitional provisions of IFRS 2, previously granted warrants are not recognised in the financial statements.

The employee services received in exchange for the grant of the warrants or shares is recognised as an expense and allocated over the vesting period. The amount is determined as the fair value of the equity instruments granted. The total amount recognised over the vesting period corresponds to the fair value of the warrants or shares that actually vest. The fair value is determined at the grant date and is not adjusted subsequently.

On each balance sheet date, NeuroSearch reassesses its estimates of the number of options expected to be exercised. NeuroSearch recognises any impact of such reassessment of the original estimates in the income statement with a corresponding adjustment in equity over the remaining vesting period. Prior-year adjustments are recognised in the income statement in the adjustment year.

INCOME STATEMENT
Revenue recognition
Revenue consists of milestone payments and other income from research and development agreements. Revenue is recognised when it is probable that future economic benefits will flow to NeuroSearch and these benefits can be measured reliably.

Up-front payments are initially recognised when research and development contracts are signed. Up-front payments that are attributable to subsequent research and/or development activities are recognised as deferred revenue and will subsequently be recognised as revenue over the expected contract period. Non-refundable up-front payments that are not attributable to subsequent research and/or development activities are recognised as revenue when the contracts are signed.

Public grants
The Group receives government grants to certain Ph.D. students and research programmes. Government grants are recognised at the time when a final and firm right to the grant has been obtained. Grants related to costs incurred are set off against research costs. Conditional repayment obligations regarding the grants received are disclosed in a note to the financial statements as contingent liabilities to the extent that they are not expected to become unconditional.

Research costs
Research costs include salaries, other costs, including patent costs, and depreciation attributable to NeuroSearch's research activities. Research costs are expensed in the year in which they are incurred. Government grants, if any, are set off against the research costs.

Development costs
Development costs include salaries and costs relating to specific development programmes. A specific development programme is characterised by a single compound being tested in a number of studies to illustrate the physical-chemical properties, toxicology and effect in humans. Development costs are capitalised if it is sufficiently certain that the costs are recoverable.

General and administrative costs
General and administrative costs include salaries, other staff costs, office costs, etc. as well as depreciation.

Financials
Financials comprise interest, financial expenses for finance leases, realised and unrealised currency translation adjust-

ments and fair value adjustments of securities. Interest income and expenses are recognised in the income statement at the amounts relating to the relevant financial year.

BALANCE SHEET

Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in "Intangible assets". Goodwill on acquisitions of associates is included in "Investments in associates". Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill in respect of the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Development projects

Development projects acquired in connection with business combinations are measured at cost less accumulated depreciation and impairment.

After completion of the development work, development projects are amortised on a straight-line basis over their estimated useful economic lives from the time the asset is ready for use. The amortisation period is expected to be 12 years. The basis of amortisation is reduced by any impairment writedowns.

In-house development costs are capitalised if it is sufficiently certain that future earnings from the product can cover not only production, sales and administrative costs, but also the development costs themselves. However, Management has assessed that, in view of the general risk related to the development of pharmaceutical products, such sufficient certainty cannot be obtained at the present time that sufficient future earnings will be achieved, and all development costs are therefore expensed in the year they are incurred. The future financial benefits in relation to the product development cannot be estimated with sufficient certainty until the development has been completed and the necessary regulatory approvals have been obtained.

Licences and patent rights

Licences and patent rights acquired for consideration are measured at cost.

Licences and patents have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives (15-20 years), however, not longer than the licence agreement or patent period.

Property, plant and equipment

Land and buildings are measured at historic cost, in the case of buildings less accumulated depreciation and impairment losses. Plant and machinery and other plant and equipment are measured at purchase price less accumulated depreciation and impairment losses. Historic cost and purchase price includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Property, plant and equipment are depreciated on a straight line basis over the useful economic lives of the assets to the expected residual values. The depreciation is based on an estimate of the useful economic lives for uniform categories of assets. The residual value is reassessed annually to the amount Management believes is recoverable for the asset on the balance sheet date if the assets was already so old and used as it will be at the time when the asset is expected to be sold. The residual values and useful lives of the assets are reviewed, and adjusted if appropriate, at each balance sheet date. If the depreciation period or the residual value is changed, the effect on depreciation going forward is recognised as a change in accounting estimates.

The expected useful economic lives are as follows:

Buildings	40 years
Plant and machinery	5-10 years
Other plant and equipment	5-10 years
IT equipment	3-5 years

The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the

asset is higher than the estimated recoverable amount as described below. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement as research, development and general and administrative costs respectively.

Impairment of non-financial assets
Assets that have an indefinite useful life (goodwill) are not amortised and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that have previously suffered impairment are reviewed for possible reversal of the impairment at each balance sheet date.

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method and are initially recognised at cost.

The Group's investments in associates include goodwill (net of accumulated impairment losses) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. If the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Financial assets
The Group classifies its financial assets in the following categories:

- at fair value through profit or loss
- loans and receivables
- available for sale

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets on initial recognition and re-evaluates this designation at every reporting date.

Financial assets measured at fair value through profit or loss
Financial assets designated as measured at fair value through profit or loss on initial recognition are those that are managed and whose performance is evaluated on a fair value basis, in accordance with a documented Group investment strategy. The investments and returns thereon are included on this fair value basis in the management reporting. Assets in this category are classified as current assets if they are expected to be realised within 12 months of the balance sheet date. Marketable securities have been designated by Management as financial assets measured at fair value through profit or loss.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities longer than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as "Other receivables" in the balance sheet.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless Management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of investments are recognised on the trading date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or losses are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are removed

from the category when the rights to receive cash flows from the investments have expired or have been transferred and NeuroSearch has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest rate.

Gains and losses arising from changes in the fair value of the "Financial assets at fair value through profit or loss" category, including interest and dividend income, are presented in the income statement in the period in which they arise.

Changes in the fair value of listed and unlisted shares classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement. Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement.

The fair values of listed securities are based on current market prices. If the market for a financial asset is not active (as for unlisted securities) NeuroSearch establishes, to the extent possible, the fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs. If it is not considered possible to state the fair value reliably, the purchase price at the date of investment is applied as fair value if the unlisted company follows the plans for research and business activities decided at the time of financing. If the company does not comply with these plans, and this is considered to decrease the company's value, the investment is written down to an estimated fair value. If, since the original investment, the unlisted companies have been assessed and valued by an independent third party in connection with investment of new capital, the new assessment is applied as fair value.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the income statement.

Trade receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that NeuroSearch will not be able to collect all amounts due according to the original terms of receivables. Significant difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement under research costs or development costs.

Marketable securities
Marketable securities consist of investments in securities with a maturity of more than three months at the time of purchase. NeuroSearch invests its cash in deposits with major financial institutions and notes primarily issued by the Danish government.

Marketable securities are measured at fair value, which equals the listed price. Realised and unrealised gains and losses are recognised in the income statement as financials. Transactions are recognised on the trade date.

Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks, short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are stated as borrowings under current liabilities in the balance sheet.

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any differences between the proceeds (net of transaction costs) and the redemption value are recognised in the income statement over the period of the borrowings using the effective interest method.

Financial liabilities
Debt to mortgage and credit institutions is recognised at the time the loans are obtained and is initially measured at fair value being the proceeds after deduction of transaction

costs. In the subsequent periods, financial liabilities are recognised at amortised cost, calculated at the effective interest rate.

In addition, the capitalised residual lease liability under finance leases is recognised under financial liabilities.

Other liabilities, which comprise trade creditors, amounts owing to subsidiaries and associates and other debt, are measured at amortised cost.

STATEMENT OF CASH FLOWS

The statement of cash flows is prepared according to the indirect method based on net profit. The statement shows NeuroSearch's cash flows broken down by operating, investing and financing activities and cash and cash equivalents at the end of the year. For the cash flow statement, cash flows from foreign subsidiaries are translated at average exchange rates for the year.

Cash flows from operating activities represents the net profit/loss adjusted for non-cash operating items and changes in working capital.

Cash flows from investing activities include cash flows from the purchase and sale of intangible assets, property, plant and equipment, long-term financial assets and marketable securities with original maturities of more than three months.

Cash flows from financing activities include cash flows from capital increases, the raising and repayment of long-term debt and financials.

Capital resources

The Company's capital resources include cash and cash equivalents, securities, listed securities, unused credit facilities and other kinds of unconditional commitments for liquidity-creating facilities.

Income statement for the year ended 31 December (DKK thousands)

Note		2006	2005	2004
	Revenue	66,341	176,503	122,260
	Total revenue	**66,341**	**176,503**	**122,260**
2, 3	Research costs	172,330	159,580	140,730
3	Development costs	54,849	17,568	21,341
2, 3	General and administrative costs	25,868	21,691	22,136
	Total costs	**253,047**	**198,839**	**184,207**
	Operating profit/(loss)	**(186,706)**	**(22,336)**	**(61,947)**
10	Share of profit/(loss) of associates	(20,673)	(9,298)	(4,632)
	Fair value adjustments of available-for-sale financial assets	-	28,399	61,171
4	Financial income	7,508	13,911	13,558
5	Financial expenses	12,295	10,095	11,475
	Total financials	**(25,460)**	**22,917**	**58,622**
	Profit/(loss) before taxes	**(212,166)**	**581**	**(3,325)**
6	Tax on profit/(loss) for the year	-	-	-
	NET PROFIT/(LOSS)	**(212,166)**	**581**	**(3,325)**
7	Earnings per share, DKK	(24.17)	0.07	(0.43)
7	Diluted earnings per share, DKK	(24.17)	0.07	(0.43)

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

Balance sheet - Assets as of 31 December (DKK thousands)

Note		2006	2005	2004
8	Goodwill	38,506	-	-
8	Development projects	611,253	-	-
8	Licences and patents	8,066	10,065	12,273
9	Land and buildings	128,368	130,563	134,681
9	Plant and machinery	35,898	33,744	33,523
9	Other plant and equipment	3,719	2,801	533
9	Technical plant prepayments	1,730	154	520
10	Investments in associates	7,023	22,613	14,511
11	Available-for-sale financial assets	22,645	20,595	14,157
	Total non-current assets	**857,208**	**220,535**	**210,198**
	Receivables from associates	9,756	-	334
12	Other receivables	13,516	8,978	8,681
11	Available-for-sale financial assets	58,660	47,649	78,749
13	Other financial assets at fair value through profit or loss	318,792	218,301	176,277
14	Cash and cash equivalents	9,543	137,479	181,836
	Total current assets	**410,267**	**412,407**	**445,877**
	TOTAL ASSETS	**1,267,475**	**632,942**	**656,075**

Balance sheet - Equity and liabilities as of 31 December (DKK thousands)

Note		2006	2005	2004
	Share capital	246,390	157,790	154,816
	Reserve for currency translation	5,145	-	-
15	Other reserves	54,261	43,250	69,093
	Retained earnings	351,873	206,924	192,610
	Total equity	**657,669**	**407,964**	**416,519**
16	Deferred tax	133,712	-	-
16	Contingent consideration	174,547	-	-
17	Mortgage debt	111,006	115,956	112,440
18	Other long-term debt	16,408	15,726	15,442
	Total non-current liabilities	**435,673**	**131,682**	**127,882**
16,17,18	Current portion of long-term debt	77,944	12,303	19,791
	Borrowings	16,754	8,014	113
	Deferred income	26,841	40,287	60,992
	Trade and other payables	33,293	17,536	16,640
	Debt to associates	-	54	-
	Other liabilities	19,301	15,102	14,138
	Total current liabilities	**174,133**	**93,296**	**111,674**
	Total liabilities	**609,806**	**224,978**	**239,556**
	TOTAL EQUITY AND LIABILITIES	**1,267,475**	**632,942**	**656,075**

1	Accounting estimates and judgments
19	Fees to auditors appointed at the general meeting
20	Related parties
21	Mortgages and collateral security
22	Contingent assets, contingent liabilities and commitments
23	Financial risks

Statement of cash flows for the year ended 31 December (DKK thousands)

Note		2006	2005	2004
	Net profit/(loss)	(212,166)	581	(3,325)
24	Reversal of items without cash flow effect	46,422	(1,405)	(53,583)
	Change in working capital:			
	Net change in receivables	(2,246)	37	408
	Net change in short-term debt	1,591	(18,791)	(61,996)
	Cash flows from operating activities	**(166,399)**	**(19,578)**	**(118,496)**
9	Payments to acquire property, plant and equipment	(12,881)	(13,015)	(14,760)
	Proceeds from sale of property, plant and equipment	13	113	327
25	Payments to acquire subsidiary	(205,600)	-	-
26	Proceeds from sale of subsidiary	-	-	962
	Payments to invest in associates	(2,697)	(17,403)	(11,808)
	Loans to associates	(11,814)	-	-
	Payments to investment in available-for-sale financial assets	(2,050)	(2,100)	-
	Proceeds from sale of available-for-sale financial assets	-	29,319	64,132
	Net change in marketable securities (more than three months)	(100,491)	(42,024)	(140,811)
	Cash flows from investing activities	**(335,520)**	**(45,110)**	**(101,958)**
	Net proceeds from equity issues	372,647	12,302	7,392
	Proceeds from long-term borrowings	9,643	8,255	13,037
	Repayment of long-term borrowings	(13,448)	(11,943)	(9,989)
	Financial payments received/(paid)	(3,616)	5,556	1,934
	Cash flows from financing activities	**365,226**	**14,170**	**12,374**
	Net cash flows	**(136,693)**	**(50,518)**	**(208,080)**
	Unrealised gain/(loss) on securities	229	(1,740)	(1,184)
	Net increase/decrease in cash and cash equivalents	**(136,464)**	**(52,258)**	**(209,264)**
	Cash and cash equivalents at 1 January	129,465	181,723	391,100
	Foreign exchange adjustments of cash and cash equivalents	(212)	-	-
	Cash and cash equivalents at 31 December	**(7,211)**	**129,465**	**181,836**
	Cash and cash equivalents at 31 December	9,543	137,479	181,949
	Borrowings at 31 December	(16,754)	(8,014)	(113)
	Cash and cash equivalents at 31 December	**(7,211)**	**129,465**	**181,836**
	Securities at 31 December	318,792	218,301	176,277
	Other available-for-sale financial assets at 31 December	58,660	47,649	78,749
	Other capital reserves at 31 December	133,332	41,386	40,887
	Capital resources at 31 December	**503,573**	**436,801**	**477,749**

The cash and cash equivalents of associates is not recognised in the consolidated financial statements. Total capital resources in associates consisting of cash and cash equivalents, amounted to DKK 39 million at 31 December 2006, DKK 48 million at 31 December 2005 and DKK 35 million at December 2004.

Statement of movements in equity (DKK thousands)

	Share capital*	Share-premium**	Reserve for currency translation	Other reserves***	Retained earnings	Total
Equity at 1 January 2004	**153,917**	**248,700**	**0**	**0**	**0**	**402,617**
Effect of changes in accounting policies (IAS 39)				61,537	(60,557)	980
Adjusted equity at 1 January 2004	**153,917**	**248,700**	**0**	**61,537**	**(60,557)**	**403,597**
Previously reported net profit	-	-	-	-	1,207	1,207
Effect of changes in accounting policies:						
Fair value gains/(losses) from available-for-sale financial assets	-	-	-	7,556	(4,532)	3,024
Total recognised income for the year	**0**	**0**	**0**	**7,556**	**(3,325)**	**4,231**
Employee warrant programme:						
- costs of share-based payment	-	-	-	-	1,299	1,299
- proceeds from shares issued	899	6,610	-	-	-	7,509
- costs of equity issues	-	(117)	-	-	-	(117)
Transfer	-	(255,193)		-	255,193	0
Equity at 31 December 2004	**154,816**	**0**	**0**	**69,093**	**192,610**	**416,519**
Equity at 1 January 2005	**154,816**	**0**	**0**	**69,093**	**192,610**	**416,519**
Fair value gains/(losses) from available-for-sale financial assets	-	-	-	(25,843)	-	(25,843)
Net profit	-	-	-	-	581	581
Total recognised income for the year	**0**	**0**	**0**	**(25,843)**	**581**	**(25,262)**
Employee warrant programme:						
- costs of share-based payment	-	-	-	-	4,405	4,405
- proceeds from shares issued	2,974	9,491	-	-	-	12,465
- costs of equity issues	-	(163)	-	-	-	(163)
Transfer	-	(9,328)	-	-	9,328	0
Equity at 31 December 2005	**157,790**	**0**	**0**	**43,250**	**206,924**	**407,964**

Statement of movements in equity (DKK thousands) (continued)

	Share capital*	Share-premium**	Reserve for currency translation	Other reserves***	Retained earnings	Total
Equity at 1 January 2006	**157,790**	**0**	**0**	**43,250**	**206,924**	**407,964**
Fair value adjustment of available-for-sale financial assets	-	-	-	11,011	-	11,011
Fair value adjustment of net investment in foreign subsidiary	-	-	(7,983)	-	-	(7,983)
Currency translation	-	-	13,128	-	-	13,128
Net profit	-	-	-	-	(212,166)	(212,166)
Total recognised income for the year	**0**	**0**	**5,145**	**11,011**	**(212,166)**	**(196,010)**
Rights issue:						
- Proceeds from shares issued	79,414	317,657	-	-	-	397,071
- Costs of rights issue	-	(29,484)	-	-	-	(29,484)
Consideration shares in connection with acquisition of subsidiary	8,147	59,843	-	-	-	67,990
Employee warrant programme:						
- costs of share-based payment	-	-	-	-	5,078	5,078
- proceeds from shares issued	1,039	4,181	-	-	-	5,220
- costs of equity issues	-	(160)	-	-	-	(160)
Transfer	-	(352,037)	-	-	352,037	0
Equity at 31 December 2006	**246,390**	**0**	**5,145**	**54,261**	**351,873**	**657,669**

* Under Danish corporate law, share capital may not be used for distribution of dividends.

** In accordance with the Danish Public Companies Act, "Share premium" has been transferred to "Retained earnings". Accumulated "Share premium" was DKK 1,123 million at 31 December 2006 (2005: DKK 771 million, 2004: DKK 762 million).

*** Other reserves are specified in note 15.

Notes to the financial statements

1 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements requires us to make estimates and judgments that affect our reporting of assets, liabilities and expenses and the related disclosure of contingent assets and liabilities. We review our estimates on an on-going basis. We base our estimates on historical experience and on various other assumptions which we believe to be reasonable under the circumstances. However, our actual results may differ significantly from our estimates. We believe that our accounting policies relating to revenue recognition, share based payment, development costs, financial assets and deferred tax involve estimates or judgments by Management that could materially affect our reported financial position and results of operations.

Revenue recognition
We receive fees from our collaborative and licence agreements for the performance of research services, licence option fees, and licence fees payable as upfront and milestone payments. We recognise revenue from licence agreements under which we have no continuing performance obligations when the licence commences and we are certain we will receive the revenue. We have multiple performance obligations under contracts related to research services and licence options. We consider revenues from these arrangements to be combined fees for the performance of research services and related licence options, which are deferred until the relevant licence option is exercised or expires. Expenses incurred for the research services performed under such agreements are deferred up to the amount of the deferred revenue.

We recognise revenues from conditional, non-refundable grants received from governmental agencies in advance of incurred expenses as deferred income. We recognise revenues from funding received upon proof of incurred expenses when such expenses are actually incurred.

Consolidated revenue for 2006 was DKK 66.3 million (2005: DKK 176.5 million, 2004: DKK 122.3 million).

Share-based payment
We have established equity-settled share-based payment plans (warrants). The employee services received in exchange for the grant of the warrants or shares is recognised as an expense and allocated over the vesting period. The amount is determined as the fair value of the equity instruments granted. The total amount recognised over the vesting period corresponds to the fair value of the warrants or shares that actually vest. The fair value is determined at the grant date and is not adjusted subsequently.

On each balance sheet date, we reassess our estimates of the number of options expected to be exercised. We recognise any impact of such reassessment of the original estimates in the income statement with a corresponding adjustment in equity over the remaining vesting period. Prior-year adjustments are recognised in the income statement in the adjustment year.

In accordance with the transitional provisions of IFRS 2, warrants granted before 7 November 2002 are not recognised in the financial statements.

For 2006, DKK 5.1 million was recognised (2005: DKK 4.4 million, 2004: DKK 1.3 million).

Development costs and impairment tests
Development costs are capitalised if it is sufficiently certain that future earnings from the product can cover not only production, sales and administrative costs, but also the development costs themselves. In all other cases, development costs are expensed in the year that they are incurred. This is because the future financial benefits in relation to the development costs cannot be estimated with sufficient certainty until the development has been completed and the necessary regulatory approvals have been obtained.

Consolidated development costs were DKK 54.8 million (2005: DKK 17.6 million, 2004: DKK 21.3 million). The carrying amount of purchased capitalised development projects was DKK 611.3 million (2005: DKK 0 million, 2004: DKK 0 million). The impairment test and the particularly sensitive factors in that connection are described in note 8. No impairment losses were recognised on development projects in 2006, 2005 or 2004.

Goodwill impairment test
In the annual goodwill impairment test, an assessment is made of how the parts of the Group to which the goodwill relates will be able to generate sufficient cash flows in future to support the value of goodwill and other net assets in the relevant part of the organisation. As a result of the nature of the Group's business, it must be estimated over expected cash flows many years into the future, which naturally leads to uncertainty. This uncertainty is reflected in the discount factor applied.

The carrying amount of goodwill was DKK 38.5 million for the Group (2005: DKK 0 million, 2004: DKK 0 million). The impairment test and the particularly sensitive factors in that connection are described in note 8. No impairment losses were recognised on goodwill in 2006, 2005 or 2004.

Financial assets
Under NeuroSearch's accounting policies, investments in financial assets, except for investments in subsidiaries and associates, must be measured at fair value at the balance sheet date. For assets not traded on an active market – i.e. assets other than listed shares and bonds – the determination of fair values will be subject to a certain element of estimation. Investments in unlisted shares are initially recognised at fair value, which is typically the price we paid for them, provided Management considers the purchase price to be a reliable expression of the fair value. If the unlisted shares have subsequently been assessed and valued by an independent third party, for instance in connection with the injection of fresh capital, the new valuation is used as the fair value. If it is not possible to determine a reliable fair value, the investment is measured at cost as Management believes there are no other reasonable assumptions that can be applied in the valuation of the unlisted shares.

The carrying amount of unlisted shares was DKK 22.6 million for the Group (2005: DKK 20.6 million, 2004: 14.2 million).

Investments in associates at 31 December 2006 amounted to DKK 7.0 million for the Group (2005: DKK 22.6 million, 2004: DKK 14.5 million).

Deferred tax
We recognise deferred tax assets when it is likely that there will be sufficient future taxable income to utilise the temporary differences and unutilised tax losses. The agreement with GSK signed in December 2003 increased NeuroSearch's earnings potential, which means that it is more likely that the whole or parts of the tax assets can be used for offset against future taxable income.

Management has carefully assessed whether the tax assets should be recognised as income in the income statement or as an asset in the balance sheet. However, based on the accounting criteria in this respect, Management believes that it is not yet possible to recognise the tax assets. So far, the decision is to continue to disclose the size of the assets in the notes to the financial statements. Management will regularly reconsider whether the accounting criteria for recognising the assets in the balance sheet and income statement have been met.

The carrying amount of unrecognised deferred tax assets is DKK 690 million for the Group (2005: DKK 548 million, 2004: DKK 528 million) and of deferred tax liabilities DKK 133.7 million for the Group (2005: DKK 0 million, 2004: DKK 0 million).

2 AMORTISATION, DEPRECIATION AND IMPAIRMENT

Intangible assets

	2006	2005	2004
Recognised in:			
Research costs	1,999	2,017	2,026
General and administrative costs	-	-	-
	1,999	**2,017**	**2,026**

Property, plant and equipment

	2006	2005	2004
Recognised in:			
Research costs	11,677	13,300	13,586
General and administrative costs	2,182	1,700	1,631
	13,859	**15,000**	**15,217**

3 STAFF

	2006	2005	2004
Staff costs were:			
Salaries and wages	88,883	79,543	80,260
Share-based payment	5,078	4,405	1,299
Defined-contribution pension plans	7,068	5,553	4,050
Social security costs	1,631	786	807
Other staff costs	6,018	5,491	5,384
	108,678	**95,778**	**91,800**
Recognised in:			
Research costs	82,057	74,120	75,582
Development costs	12,431	9,980	7,239
General and administrative costs	14,190	11,678	8,979
	108,678	**95,778**	**91,800**
Average number of employees	*199	185	175

* Employees at NeuroSearch Sweden AB included proportionately for the period 23 October to 31 December: 6 employees.

NeuroSearch considers the entire Executive Management to be "key management". The Executive Management consists of four persons, including the President & CEO, who is registered with the Danish Commerce and Companies Agency.

Remuneration to the Executive Management and Board of Directors:

	2006	2005	2004
Executive Management:			
Salaries*	6,908	6,885	7,009
Pension costs	588	320	230
Share-based payment	816	740	197
Total	**8,312**	**7,945**	**7,436**
Board of Directors:			
Fees	981	750	750
Share-based payment	133	208	58
Total	**1,114**	**958**	**808**
Total remuneration to the Executive Management and Board of Directors	**9,426**	**8,903**	**8,244**

* Salaries to the Executive Management include the value of free company car and other benefits.

The Company's period of notice to members of the Executive Management is between 8 and 12 months. The period of notice to be given by members of the Executive Management to the Company is between 1 and 6 months.

Share-based payment

Warrant programme granted in	2004	2005	2006	Total
Outstanding at 1 January 2004	-	-	-	0
Granted during the period	135,000	-	-	135,000
Exercised during the period	-	-	-	0
Forfeited during the period in connection with resignations	-	-	-	0
Outstanding at 31 December 2004	**135,000**	**-**	**-**	**135,000**
Outstanding at 1 January 2005	135,000	-	-	135,000
Granted during the period	-	135,000	-	135,000
Exercised during the period	-	-	-	0
Forfeited during the period in connection with resignations	(7,786)	(1,556)	-	(9,342)
Outstanding at 31 December 2005	**127,214**	**133,444**	**0**	**260,658**
Outstanding at 1 January 2006	127,214	133,444	0	260,658
Granted during the period	-	-	10,000	10,000
Effect of dilution in connection with rights issue*	21,525	22,467	1,709	45,701
Exercised during the period	-	-	-	-
Forfeited during the period in connection with resignations	(1,828)	(3,319)	-	(5,147)
Outstanding at 31 December 2006	**146,911**	**152,592**	**11,709**	**311,212**

* NeuroSearch made a rights issue on 20 October 2006 of shares with a nominal value of DKK 79,414,300 at a price below the market value of the shares. The Board of Directors therefore resolved, in accordance with NeuroSearch's articles of association and the existing warrant programmes, to adjust the number of warrants granted to NeuroSearch's employees as well as the exercise price.

The adjustment was made to ensure that the value to the employees of the warrants is retained following the capital increase. The adjustment implied that the employees were granted a number of additional warrants and that the exercise prices were reduced.

Warrant programme	Outstanding at 31 December 2006	Average exercise price	Latest exercise period*	Market value per warrant on date of grant	Market value on date of grant of warrants outstanding at 31 December 2006	Market value on date of grant of warrants outstanding at 31 December 2005
2004	146,911	262.19	March 2009	47.24	6,964	6,010
2005	152,592	191.34	March 2010	53.10	8,103	7,086
2006	11,709	213.51	March 2010	60.40	707	0
	311,212				15,774	13,096
Recognised costs of share-based payment:						
Recognised in previous years					5,704	1,299
Recognised in current year					5,078	4,405
Recognised share-based payment as of 31 December					**10,782**	**5,704**

It has not yet been possible to exercise warrants from the 2004-2006 programmes. The first exercise period concerns the 2004 programme and is in November 2007.

	2006	**2005**	**2004**
Average share price (DKK)	193.73	157	234
Exercise price (DKK)	213.51	191.30	262.19
Expected volatility*	45%	51%	29%
Expected term	55 months	55 months	55 months
Expected dividend per share	0	0	0
Risk-free interest rate (based on Danish government bonds)	3.73%	2.41%	3.40%

* The expected volatility is based on the historic volatility over the past three years (2004: 90 days).

During the vesting period, which is three years, the warrant holder earns the right to exercise 1/36 of the warrants granted per month. If a warrant holder resigns from NeuroSearch or one of its subsidiaries, he or she retains the right to exercise the number of warrants vested on the date of severance (e.g. 12/36 of the warrants granted on resignation after 12 months of a vesting period of 36 months). The right to exercise additional warrants is forfeited. If a warrant holder leaves his or her position with NeuroSearch or one of its subsidiaries due to termination by NeuroSearch or one of its subsidiaries without this being due to breach of contract by the warrant holder, the warrant holder will retain the right to all warrants granted irrespective of whether or not the warrants have vested.

No other special conditions on grant have been included in the calculation of the fair value, e.g. requirement of continuing employment or the non-negotiability of the warrants, although these factors would reduce the fair value.

The adjustment was made to ensure that the value to the employees of the warrants is retained following the capital increase. The adjustment implied that the employees were granted a number of additional warrants and that the exercise prices were reduced.

4 FINANCIAL INCOME

	2006	2005	2004
Interest income	1,480	4,854	5,807
Foreign exchange gains	-	1,741	300
Net fair value adjustment of financial assets measured at fair value through profit or loss	6,028	7,316	7,451
	7,508	**13,911**	**13,558**

5 FINANCIAL EXPENSE

	2006	2005	2004
Interest expense	10,231	9,639	9,705
Foreign exchange losses	456	456	586
Other financial expense	1,608	-	1,184
	12,295	**10,095**	**11,475**

6 TAX

Calculated tax on the year's profit was DKK 0.

	2006
Calculated tax on the pre-tax loss of the parent company of DKK 157 million at 28%	44
Calculated tax on the pre-tax loss of subsidiaries of DKK 34.4 million at 28%	10
Loss of unused tax losses carried forward subject to a time limit	(14)
Total change in deferred tax (increase of potential tax asset)	**40**

	2005
Calculated tax on the pre-tax profit of the parent company of DKK 21 million at 28%	(6)
Calculated tax on the pre-tax profit of subsidiaries of DKK 11.1 million at 28%	3
Tax-free sale of shares	8
Effect of change in tax rate	(11)
Total change in deferred tax (decrease of potential tax asset)	**(6)**

	2004
Calculated tax on the pre-tax profit of the parent company of DKK 1.2 million at 30%	0
Tax-free sale of shares	8
Tax-free price adjustment of shareholding	10
Tax loss carry forward lost on sale of operation	(5)
Total change in deferred tax (increase of potential tax asset)	**13**

The Group had deductible temporary differences of approximately DKK 690 million at 31 December 2006 (2005: DKK 548 million, 2004: DKK 528 million). The deductible temporary differences are broken down into main groups below based on preliminary taxation estimates:

	2006	2005	2004
Parent Company			
Non-current assets	(3)	2	8
Research and development costs*	-	34	68
Patent costs	16	22	27
Liabilities under finance leases	24	23	23
Other	27	40	61
Tax losses carried forward**	448	283	209
Total deductible temporary differences	**512**	**404**	**396**
Subsidiaries			
Tax losses carried forward**	178	144	132
Total deductible temporary differences	**178**	**144**	**132**
Group total	**690**	**548**	**528**
Current tax rate	28%	28%	30%
Estimated potential tax asset	193	153	159
Recognised tax asset	**0**	**0**	**0**

* Research and development costs may be expensed or capitalised for tax purposes and amortised over five years (fixed amortisation).

** Tax losses carried forward relate to 2002 and later years and are therefore not subject to any time limit.

7 EARNINGS PER SHARE

	2006	2005	2004
Net profit/(loss) (DKK thousands)	(212,166)	581	(3,325)
Average number of outstanding shares (in thousands)	8,779	7,800	7,700
Dilutive effect of outstanding shares "in the money" (in thousands)*	-	89	159
Average number of outstanding shares including dilutive effect of warrants "in the money" (in thousands)	**8,779**	**7,889**	**7,859**
Earnings per share for the year (DKK)	**(24.17)**	**0.07**	**(0.43)**
Earnings per share for the year, diluted (DKK)	**(24.17)**	**0.07**	**(0.43)**

* The warrants have an anti-dilutive effect as a result of the loss for the year, and they have consequently not been taken into account in connection with the calculation of diluted earnings per share. The diluted earnings per share are therefore the same as the basic earnings per share.

In January 2007, NeuroSearch A/S granted an additional 240,000 warrants to the Executive Management and employees, which may potentially dilute future earnings per share.

8 INTANGIBLE ASSETS

	Goodwill	Development projects	Licences and patents
Cost at 1 January 2006	-	-	20,054
Additions on acquisition of subsidiary*	37,752	595,414	-
Currency translation	754	15,839	-
Cost at 31 December 2006	38,506	611,253	20,054
Amortisation and impairment at 1 January 2006	-	-	9,989
Amortisation	-	-	1,999
Amortisation and impairment at 31 December 2006	0	0	11,988
Carrying amount at 31 December 2006	**38,506**	**611,253**	**8,066**

* See note 16 "Acquisition of subsidiaries and operations" for a description of the accounting treatment of the acquisition, including the calculation of cost.

	Goodwill	Development projects	Licences and patents
Cost at 1 January 2005	-	-	20,329
Disposals	-	-	275
Cost at 31 December 2005	0	0	20,054
Amortisation and impairment at 1 January 2005	-	-	8,056
Amortisation	-	-	2,015
Disposals	-	-	82
Amortisation and impairment at 31 December 2005	0	0	9,989
Carrying amount at 31 December 2005	**0**	**0**	**10,065**

	Goodwill	Development projects	Licences and patents
Cost at 1 January 2004	-	-	23,230
Disposals	-	-	2,901
Cost at 31 December 2004	0	0	20,329
Amortisation and impairment at 1 January 2004	-	-	6,851
Amortisation	-	-	2,124
Disposals	-	-	919
Amortisation and impairment at 31 December 2004	0	0	8,056
Carrying amount at 31 December 2004	**0**	**0**	**12,273**

Goodwill represents the value of research projects for which the fair value cannot be reliably measured, the value of the existing staff and know-how on a business combination, and expected synergies from the combination. Goodwill is therefore fully allocated to NeuroSearch Sweden AB as an independent cash-generating unit.

The carrying amount of intangible assets, including goodwill, was tested for impairment as of 31 December 2006. The test did not result in a need to write down the carrying amounts as the recoverable amount of goodwill and development projects as a whole corresponds at least to the carrying amounts.

In the impairment test, the discounted cash flow of each cash-generating development project is compared to the carrying amounts. The valuation is based on the cash flows generated by the projects individually during the period from launch of the product until five years after patent expiry. Material assumptions such as market and price expectations, expected market share and expected costs in connection with launch and production are based on an assessment of

each development project. In the calculation of discounted cash flows, a discount rate (16%) which reflects the risks involved in the development of pharmaceuticals is applied.

9 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings*	Plant and machinery	Other plant and equipment	Prepay-ments
Cost at 1 January 2006	172,397	85,015	18,981	154
Additions	1,865	6,077	3,209	1,730
Additions on acquisition of subsidiary**	-	3,376	-	-
Currency translation	-	94	-	-
Transfer	154	-	-	(154)
Disposals	-	134	-	-
Cost at 31 December 2006	174,416	94,428	22,190	1,730
Depreciation and impairment at 1 January 2006	41,834	51,271	16,180	0
Depreciation	4,214	7,354	2,291	-
Disposals	-	95	-	-
Depreciation and impairment at 31 December 2006	46,048	58,530	18,471	0
Carrying amount at 31 December 2006	**128,368**	**35,898**	**3,719**	**1,730**
Of which carrying amount of assets held under finance leases	0	27,060	3,379	0

* The officially assessed property value, including land value, at 1 January 2007 is DKK 163 million. A bearer mortgage for DKK 132 million has been issued on land and buildings – see note 21.

** See note 16 "Acquisition of subsidiaries and operations" for a description of the accounting treatment of the acquisition, including the calculation of cost.

	Land and buildings*	Plant and machinery	Other plant and equipment	Prepay-ments
Cost at 1 January 2005	169,627	75,922	17,753	520
Additions	2,250	9,383	1,228	154
Transfer	520	-	-	(520)
Disposals	-	290	-	-
Cost at 31 December 2005	172,397	85,015	18,981	154
Depreciation and impairment at 1 January 2005	34,946	45,139	14,480	-
Depreciation	6,888	6,414	1,700	-
Disposals	-	282	-	-
Depreciation and impairment at 31 December 2005	41,834	51,271	16,180	0
Carrying amount at 31 December 2005	**130,563**	**33,744**	**2,801**	**154**
Of which carrying amount of assets held under finance leases	0	26,211	2,422	0

	Land and buildings*	Plant and machinery	Other plant and equipment	Prepay-ments
Cost at 1 January 2004	168,406	68,402	14,821	-
Additions	1,221	9,562	3,457	520
Disposals on sale of operation	-	334	7	-
Disposals	-	1,708	518	-
Cost at 31 December 2004	169,627	75,922	17,753	520
Depreciation and impairment at 1 January 2004	28,326	40,859	12,574	-
Depreciation	6,620	6,145	2,319	-
Disposal of depreciation on sale of operation	-	171	4	-
Disposals	-	1,694	409	-
Depreciation and impairment at 31 December 2004	34,946	45,139	14,480	0
Carrying amount at 31 December 2004	**134,681**	**30,783**	**3,273**	**520**
Of which carrying amount of assets held under finance leases	0	23,365	2,740	0

10 INVESTMENTS IN ASSOCIATES

2006								NeuroSearch A/S' share		
Name	Registered office	Owner-ship interest (%)	Share capital	Equity	Assets	Revenue	Net profit/ (loss)	Equity	Profit/ (loss) before tax	Net profit/ (loss)
NsGene A/S***	Ballerup	25.31	37,620	(5,172)	52,324	670	(26,368)	(1,309)	(6,674)	(6,674)
Sophion Bioscience A/S****	Ballerup	29.3	103,245	(9,596)	25,538	*	(24,101)	(2,815)	(7,069)	(7,069)
Atonomics A/S	Copenhagen	19.3**	13,180	46,786	52,486	0	175	9,011	34	34
				32,018			**(50,294)**	**4,887**	**(13,709)**	**(13,709)**
Adjustment for intercompany gains and losses regarding IPR at 31 December								(1,638)	-	-
Adjustment to Group accounting policies								1,389	(7,436)	(7,436)
Change in intercompany gains on IPR								-	630	630
Reversal of share in negative net asset value in associates								2,385	2,385	2,385
Net unrealised gains/(losses) on equity issues in associates								-	(158)	(158)
Recognised value of investments in associates								**7,023**	**(18,288)**	**(18,288)**
Writedown of receivables from associates***									(2,385)	(2,385)
Profit/(loss) from investments in associates									**(20,673)**	**(20,673)**

2005

Name	Registered office	Ownership interest (%)	Share capital	Equity	Assets	Revenue	Net profit/ (loss)	NeuroSearch A/S' share Equity	NeuroSearch A/S' share Profit/ (loss) before tax	NeuroSearch A/S' share Net profit/ (loss)
NsGene A/S	Ballerup	25.2	35,771	11,205	41,270	9,308	(17,277)	2,827	(4,339)	(4,339)
Sophion Bioscience A/S	Ballerup	29.3	103,245	14,167	23,247	*	(23,572)	4,155	(6,289)	(6,289)
Atonomics A/S	Copenhagen	19.3**	13,180	46,611	50,821	0	(1,907)	8,977	(633)	(633)
				71,983			**(42,756)**	**15,959**	**(11,261)**	**(11,261)**
Adjustment for intercompany gains and losses regarding IPR at 31 December								(2,169)	-	-
Change in intercompany gains on IPR								8,823	-	-
Reversal of prior-year impairment losses								-	1,398	1,398
Net unrealised gains/(losses) on equity issues in associates								-	565	565
Recognised value of investments in associates								**22,613**	**(9,298)**	**(9,298)**

2004

Name	Registered office	Ownership interest (%)	Share capital	Equity	Assets	Revenue	Net profit/ (loss)	NeuroSearch A/S' share Equity	NeuroSearch A/S' share Profit/ (loss) before tax	NeuroSearch A/S' share Net profit/ (loss)
NsGene A/S	Ballerup	25.0	32,099	8,464	50,821	950	(33,416)	2,119	(10,328)	(10,328)
Sophion Bioscience A/S	Ballerup	25.1	82,921	47,497	54,083	*	(35,024)	11,936	(8,076)	(8,076)
Atonomics A/S	Copenhagen	27.3**	4,842	11,051	17,665	0	(937)	3,017	(252)	(252)
				67,012			**(69,377)**	**17,072**	**(18,656)**	**(18,656)**
Adjustment for intercompany gains and losses regarding IPR at 31 December								(2,561)	-	-
Change in intercompany gains on IPR								-	(285)	(285)
Reversal of prior-year impairment losses							-	8,163	8,163	
Net unrealised gains/(losses) on equity issues in associates								-	6,146	6,146
Recognised value of investments in associates								**14,511**	**(4,632)**	**(4,632)**

* The company does not disclose its revenue in external reporting relying on the exemption provisions for class B companies pursuant to the Danish Financial Statements Act.

** NeuroSearch's investment in Atonomics A/S is recognised as an investment in an associate as NeuroSearch holds significant influence as a result of its ownership interest and directorships on the company's board of directors.

*** NeuroSearch A/S has granted a convertible loan to NsGene A/S of DKK 6,761 thousand, including interest. The loan, on which no instalments are paid, falls due on 28 February 2008. NsGene A/S has the right to terminate and redeem the loan at any time during the term of the loan by repaying the loan principal and accrued interest. NeuroSearch A/S has the right to demand at any time during the term of the loan that the loan and accrued interest is converted into shares in the company at a conversion price of DKK 100 per share. An impairment loss has been recognised on the loan amount receivable equivalent to NeuroSearch A/S's share of the negative net asset value. The receivable of DKK 6,761 thousand had consequently been written down to DKK 4,376 thousand at 31 December 2006.

**** NeuroSearch A/S has granted three convertible loans to Sophion Bioscience A/S in the total amount of DKK 5,262 thousand, including interest. The loans, on which no instalments are paid, fall due on 30 June 2007. Sophion Bioscience A/S has the right to terminate and redeem the loan at any time during the term of the loan by repaying the loan principal and accrued interest. NeuroSearch A/S has the right to demand at any time during the term of the loan that the loan and accrued interest is converted into shares in the company at a conversion price of DKK 100 per share.

11 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2006	2005	2004
Opening balance	-	-	74,031
IAS 39 adjustment to prior years	-	-	980
Adjusted opening balance	68,244	92,906	75,011
Additions (at cost)	2,050	2,100	13,300
Disposals (at cost)	-	920*	2,961
Fair value adjustments transferred from equity on disposal	-	(23,874)*	(34,126)
Fair value adjustments for the year transferred to equity	11,011	(1,968)	41,682
Fair value at 31 December	**81,305**	**68,244**	**92,906**

* In 2005, NeuroSearch sold 46,000 Bavarian Nordic shares at a gain of DKK 28.4 million. DKK 23.9 million of the gain was prior-year fair value adjustments that had been recognised in equity. This reversal of fair value adjustments recognised in equity has been transferred to the income statement plus proceeds from sales of warrants, DKK 6.8 million, less the year's loss on shares sold, DKK 2.3 million.

Available-for-sale financial assets are recognised in the balance sheet as follows:

	2006	2005	2004
Available-for-sale assets classified as current assets	58,660	47,649	78,749
Available-for-sale assets classified as non-current assets	22,645	20,595	14,157
	81,305	**68,244**	**92,906**
Breakdown of available-for-sale financial assets:			
Listed shares:			
Bavarian Nordic A/S	58,660	47,649	78,749
Unlisted shares:			
ZGene A/S	5,426	3,376	1,826
PainCeptor Pharma Corporation Inc.	17,219	17,219	12,831
Fair value at 31 December	**81,305**	**68,244**	**92,906**

12 OTHER RECEIVABLES

	2006	2005	2004
Trade debtors	15	2,081	3,349
VAT reimbursement	2,782	1,968	589
Prepaid costs*	8,274	3,622	2,714
Other receivables	2,445	1,307	2,029
	13,516	**8,978**	**8,681**

* Prepaid costs concern research activities, leasing, insurance, subscriptions, etc.

The carrying amount of other receivables largely corresponds to their fair values. Other receivables, etc. are not subject to any material credit risk as they primarily concern receivables from large international partners, prepaid costs and VAT.

As of 31 December 2006, there were no indications of impairment of other receivables, and consequently no impairment losses have been recognised thereon.

13 OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Bonds and investments are specified as follows:

	2006		2005		2004	
	Cost	Market value	Cost	Market value	Cost	Market value
Government bonds	-	-	69,107	69,427	56,914	54,634
Mortgage bonds	229,103	229,641	147,459	148,874	121,531	121,643
Total bonds	**229,103**	**229,641**	**216,566**	**218,301**	**178,445**	**176,277**
Unit trusts	89,460	89,151	-	-	-	-
Total other financial assets at fair value	**318,563**	**318,792**	**216,566**	**218,301**	**178,445**	**176,277**

	2006		2005		2004	
	Cost	Market value	Cost	Market value	Cost	Market value
Terms to maturity of bonds:						
Less than 1 year	-	-	11,404	11,420	38,622	38,448
Between 1 and 5 years	116,310	116,034	105,119	105,236	88,481	86,063
More than 5 years	112,793	113,607	100,043	101,645	51,342	51,766
Total	**229,103**	**229,641**	**216,566**	**218,301**	**178,445**	**176,277**

Mortgage bonds are callable by the debtor at par. See note 23 with respect to interest rate sensitivity.

Financial assets which are measured through profit or loss on initial recognition (securities) are financial assets that are managed and whose return is evaluated on the basis of changes in their fair values, in accordance with the Group's documented investment strategy. Information on such financial assets at fair value is used in the internal reporting to the Management. It is the Group's investment strategy to invest free cash in securities as part of its long-term strategy of securing its capital resources.

14 CASH AND CASH EQUIVALENTS

	2006	2005	2004
Money market accounts	9,543	4,765	13,243
Fixed-term deposits	-	132,714	168,593
	9,543	**137,479**	**181,836**

15 OTHER RESERVES

Other reserves comprise unrealised gains and losses as a result of fair value adjustments of available-for-sale financial assets as disclosed in note 11.

A breakdown of fair value adjustments by investment is given below:

	Fair value	Unrealised value adjustment
Bavarian Nordic	78,749	69,886
ZGene	1,326	(324)
Painceptor	12,831	(469)
31 December 2004	**92,906**	**69,093**
Bavarian Nordic	47,649	39,705
ZGene	3,376	(374)
Painceptor	17,219	3,919
31 December 2005	**68,244**	**43,250**
Bavarian Nordic	58,660	50,716
ZGene	5,426	(374)
Painceptor	17,219	3,919
31 December 2006	**81,305**	**54,261**

16 ACQUISITIONS OF SUBSIDIARIES AND OPERATIONS

On 23 October 2006, NeuroSearch acquired all the shares in Carlsson Research AB (now NeuroSearch Sweden AB). A breakdown of the fair value of the assets acquired is shown below:

	Carrying amount of net assets on 23 October 2006	Fair value on 23 October 2006
Development projects	-	595,414
Property, plant and equipment	3,376	3,376
Receivables	2,294	2,294
Cash and cash equivalents	8,188	8,188
Deferred tax, liabilities	-	(130,247)
Other liabilities	(4,866)	(4,866)
Net assets acquired	**8,992**	**474,159**
Goodwill		37,752
Acquisition price		**511,911**
Of which cash and cash equivalents		(8,188)
Consideration shares issued		(67,990)
Contingent consideration		(291,799)
Cash payment		**143,935**
Acquisition costs		(10,752)
Cash acquisition price		**133,183**

The acquisition price was DKK 220.1 million including acquisition costs of DKK 10.7 million and an adjustment of cash by DKK 8.2 million at the time of acquisition.

Part of the acquisition price was paid by NeuroSearch A/S by way of 407,371 new consideration shares at DKK 166.90 per share, equivalent to DKK 68.0 million. The number of consideration shares was calculated on the basis of the average price of NeuroSearch's shares on the OMX Nordic Exchange Copenhagen the last five days before closing on 23 October 2006 translated from DKK into SEK on the basis of the exchange rate on 20 October 2006. The remaining part of the consideration, DKK 141.4 million, was paid in cash.

In connection with the acquisition of A. Carlsson Research AB, NeuroSearch A/S determined the identifiable intangible assets, including ongoing research and development projects as well as patents and licences, which were recognised in the takeover balance sheet at fair value.

Also identified were a number of ongoing research projects at an early stage of research for which no direct correlation can be shown between costs incurred and future income deriving from the research work. As a result, the fair value of the research projects cannot be measured reliably and the value of such research projects is included in the estimated goodwill.

In connection with the acquisition, goodwill was been made up at DKK 37.8 million after recognition at fair value of identifiable assets, liabilities and contingent liabilities. Goodwill represents the value of research projects for which the fair value cannot be reliably measured, the value of the existing staff and know-how as well as expected synergies from the combination with NeuroSearch A/S.

NeuroSearch Sweden AB is now consolidated and contributed a net loss of DKK 13 million for the period 23 October to 31 December. Consolidated revenue for 2006 made up as if NeuroSearch Sweden AB was acquired on 1 January 2006 would have been DKK 72.8 million and the net loss would have been DKK 232.6 million.

NeuroSearch A/S did not make any acquisitions in 2005 or 2004.

Contingent consideration
The agreed consideration consisted partly of an initial payment of SEK 250 million (DKK 202 million), and partly of up to an estimated SEK 625 million (DKK 505 million) of future payments to be made in connection with and subject to successful attainment of agreed milestones relating to Carlsson Research's development programmes. The estimated consideration totals SEK 875 million (DKK 707 million).

Based on the estimated time of attainment of the milestones, the contingent residual consideration has been recognised in the balance sheet at 31 December as follows:

	2006	2005	2004
Contingent consideration at 31 December	**239,725**	**-**	**-**
Current liabilities	65,178	-	-
Non-current liabilities	174,547	-	-

Deferred tax

In connection with the business combination, deferred tax was recognised in the consolidated financial statements on the difference between the value of the net assets acquired and the fair values. No deferred tax is recognised on goodwill.

Breakdown of deferred tax:

	2006	2005	2004
Net assets acquired as of the date of acquisition	(8,992)	-	-
Fair value excluding goodwill	474,159	-	-
Excess value	465,167	0	0
Tax rate	28%	28%	30%
Deferred tax	**130,247**	**0**	**0**
Currency translation	3,465	-	-
Carrying amount at 31 December	**133,712**	**0**	**0**

Deferred tax is classified in the balance sheet under non-current liabilities as Management does not expect the deferred to tax liability to crystallise in part or in full in 2007.

17 MORTGAGE DEBT

Breakdown of debt to financial institutions stated in the balance sheet:

	2006	2005	2004
Total debt	**115,956**	**120,592**	**124,934**
Current portion	4,950	4,636	4,342
Non-current portion	111,006	115,956	120,592
Of which with maturity of more than five years	87,619	94,053	100,078

The mortgage-backed loans have a term to maturity of 14 years and 6 months with fixed interest rates the following five years of 6.653% and 5.883% respectively.

The fair value of the mortgage debt, which corresponds to the market value of the underlying bonds, was DKK 117 million 31 December 2006 (2005: DKK 122 million).

18 LIABILITIES UNDER FINANCE LEASES

Breakdown of debt under finance leases stated in the balance sheet:

	2006	2005	2004
Total debt	**24,224**	**23,393**	**22,739**
Current portion	7,816	7,667	7,297
Non-current portion	16,408	15,726	15,442

The gross at net lease liability is as follows:

Maturing:			
Within 1 year	9,024	9,393	8,200
Between 1 and 5 years	17,798	20,508	16,432
Minimum lease payments	26,822	29,901	24,632
Future interest on leases	(2,599)	(6,604)	(1,891)
Present value of lease liability	**24,223**	**23,297**	**22,741**

NeuroSearch's finance leases primarily concern laboratory equipment and IT equipment. The leases are concluded as and when new laboratory equipment is acquired and is motivated by financing requirements. The leases include options to buy the leased assets on expiry of the leases at prices which are expected to be substantially below market price. NeuroSearch expects to exercise these options, and the purchase price is consequently recognised in the aggregate lease liability. Payments on the leases are variable based on fluctuations in the reference rate of interest, CIBOR (1-3 month rate of interest) and the key lending rate of Nationalbanken (the Danish central bank). The basic rate of interest on the leases was 3.8% at 31 December 2006 plus a margin of between 1.25% and 2%.

19 FEES TO AUDITORS APPOINTED AT THE GENERAL MEETING

At the annual general meeting on 27 April 2005, PricewaterhouseCoopers was appointed sole auditors for NeuroSearch A/S.

	2006	2005	2004
Fees to PricewaterhouseCoopers:			
Audit	569	425	397
Rights issue and acquisition	2,686	-	-
Non-audit services	335	781	74
	3,590	**1,206**	**471**
Fees to Deloitte:			
Audit	-	-	196
Non-audit services	-	-	54
	0	**0**	**250**

20 RELATED PARTIES

NeuroSearch related parties

Related parties with a significant influence comprise the Company's Executive Management, Board of Directors, subsidiaries and the associates NsGene A/S and Sophion Bioscience A/S. Management also considers Bavarian Nordic A/S and ZGene A/S to be related parties as some of the board members are also NeuroSearch Board members.

Transactions with related parties:

Subsidiaries

Subsidiaries are invoiced for contract work with NeuroSearch A/S.

	2006	2005	2004
NeuroScreen ApS	8	14	802
NsExplorer A/S	11	2,789	2,347
Poseidon Pharmaceuticals A/S	5,842	7,163	686
Azign Bioscience A/S	0	0	52
NeuroSearch Sweden AB	322	0	0

Interest is recognised on outstanding receivables from subsidiaries at the official discount rate.

	2006	2005	2004
NeuroScreen ApS	13	10	2
NsExplorer A/S	83	6	4
Poseidon Pharmaceuticals A/S	1,057	608	491
NeuroSearch Sweden AB	13	0	0

Associates

Associated companies are invoiced for contract work with NeuroSearch A/S.

	2006	2005	2004
Sophion Bioscience A/S	(1,746)	85	344
NsGene A/S	203	71	247
ZGene A/S	216	198	130

Management

For information on remuneration paid to the members of the Executive Management and Board of Directors, see note 3 "Staff".

21 MORTGAGES AND COLLATERAL SECURITY

Nordea Bank Danmark A/S has issued a guarantee to Nordea Finans Danmark A/S for mortgage loans totalling DKK 116 million. In security of Nordea's guarantee, a mortgage for DKK 132 million has been registered on the land and buildings, which have a carrying amount of DKK 128 million.

22 CONTINGENT ASSETS, CONTINGENT LIABILITIES AND COMMITMENTS

Contingent assets

The Group has an unrecognised deferred tax asset of DKK 193 million. See note 6 for a breakdown of the tax asset.

Rent and lease liabilities

Minimum lease payments under operating lease contracts and rent commitments amount to:

	2006	2005	2004
0-1 year	4,195	968	931
1-5 years	18,417	1,134	1,530
> 5 years	3,988	-	-
Total	**26,600**	**2,102**	**2,461**

The operating leases primarily concern company cars and office furniture and equipment. The leases are subject to terms of interminability of between 1 and 48 months.

The Group has rent commitments which totalled DKK 25,081 thousand for the period of interminability, which runs until 31 December 2013.

23 FINANCIAL RISKS

Based on NeuroSearch's financial assets and liabilities, the Group is exposed to certain financial risks, primarily interest-rate risks, liquidity risks and foreign currency risks. Group policy is not to actively conduct speculation in financial risks. Accordingly, the Group's financial management exclusively involves the management of financial risks that arise as a direct consequence of the Group's operations and financing. The general framework for NeuroSearch's financial risk management is laid down in the annual strategic planning, which takes into account factors such as the scientific, commercial and financial risks

For a description of the accounting policies and method applied, including the recognition criteria and basis of measurement, see the relevant section under accounting policies.

NeuroSearch adopted IFRS 7 as of the financial year 2005. In connection with the transitional provisions of IFRS 7, comparative figures for 2004 have been omitted.

Hedging of net investments in foreign subsidiary

The part of the Group's non-current liabilities that relates to contingent consideration for the acquisition of A. Carlsson Research AB is classified in the consolidated financial statements as hedging of net investment in foreign subsidiary. The fair value of the contingent consideration was DKK 239.8 million (2005: DKK 0 million, 2004: DKK 0 million) at 31 December 2006. Translation losses on the translation of the contingent consideration at the DKK/SEK exchange rate at the balance sheet date are recognised directly in equity under a separate reserve for currency translation (see statement of movements in equity).

Interest-rate risk

The general purpose of managing interest-rate risk is to limit the adverse impact of interest-rate fluctuations on earnings and the balance sheet. Fluctuations in the interest-rate level affect both the Group's income statement and balance

sheet. NeuroSearch is primarily exposed to interest-rate risks in connection with interest-bearing assets and liabilities. Excess cash is primarily invested in investment-grade, short-term, liquid government and mortgage bonds, unit trusts or in money market deposits, all denominated in DKK.

The weighted average duration of the bond portfolio at 31 December 2006 was 2.19 years (2005: 2.03 years) for the short-term portfolio and 3.50 years (2005: 3.51 years) for the medium-term portfolio. The risk of mortgage bonds being redeemed has been taken into account in the calculation of the duration of the bond portfolio.

The bonds are at fixed interest, and price fluctuations as a result of changes in the interest-rate market therefore affect the fair values of the bond portfolio. Unit trusts "High Yield" are bonds with a lower credit rating, and the generally higher risk is compensated for by higher yields.

The Group's portfolio of securities is measured at fair value through profit or loss, and changes in market interest rates will consequently affect net profit. Available-for-sale financial assets are measured at fair value and recognised directly in equity. Changes in market interest rates would consequently not affect net profit. Mortgage debt is measured at amortised cost, and interest-rate fluctuations do not affect net profit as they are reflected in the effective rate of interest fixed. Lease liabilities are measured at amortised cost equivalent to the nominal value as loans have been contracted at floating rates equivalent to the market rate, and changes in the market rate would consequently affect net profit.

As of 31 December, fluctuations in interest rates of +/- 1 percentage point would – everything else being equal – have had an effect on pre-tax profit of +/- DKK 7.5 million (2005: DKK 6.4 million), primarily as a result of changes in the fair values of securities.

The interest risk profile of securities is disclosed in note 13, and for loans in notes 17 and 18.

Price risk
The Group makes strategic investments in certain listed and unlisted shares, whereby the Group assumes a price risk as a result of fluctuations in market prices. The investments are classified in the balance sheet as "Available-for-sale financial assets".

As of 31 December, fluctuations in the market prices of +/- 10% would – everything else being equal – have had an effect on "Other reserves" under equity of +/- DKK 8.1 million (2005: DKK 6.8 million) as a result of the change in unrealised fair value adjustments of "Available-for-sale financial assets".

Foreign exchange risks
The general objective of currency risk management is to limit the short-term adverse impact of exchange-rate fluctuations on earnings and cash flows and thus increase the predictability of the financial results. The Group's transactions denominated in foreign currency are not deemed to have any significant impact on the income statement and balance sheet. However, the Group's policy is that Management regularly evaluates the need to hedge expected exchange rate risks as a result of future transactions denominated in foreign currency.

In connection with the acquisition of A. Carlsson Research AB on 23 October 2006, the Group entered into a forward exchange contract to hedge the initial payment of SEK 166 million, which resulted in a gain of DKK 1.3 million. The Group had no outstanding forward exchange contracts or other financial instruments as hedges of expected future transactions as of 31 December 2006 or 31 December 2005.

Exchange-rate risks primarily relate to project revenue and costs to and from foreign partners. It is Management's strategy to seek to offset exchange-rate risks by matching revenue and costs in the same currencies. The Group's most important partner is GSK. In the research and development agreement with GSK, cash flows agreed in EUR are not currently deemed to involve a material exchange-rate risk relative to DKK.

As of 31 December, fluctuations in the exchange rate of the EUR to DKK of +/- 2% would – everything else being equal – have had an effect on pre-tax profit of +/- DKK 671 thousand (2005: +/- DKK 429 thousand), primarily as a result of foreign exchange gains/losses on contract revenue and other receivables.

As of 31 December, fluctuations in the exchange rate of the USD to DKK of +/- 5% would – everything else being equal – have had an effect on pre-tax profit of +/- DKK 386 thousand (2005: +/- DKK 344 thousand) primarily as a result of foreign exchange gains/losses on contract revenue.

As of 31 December, fluctuations in the exchange rate of the GBP to DKK of +/- 5% would – everything else being equal – have had an effect on pre-tax profit of +/- DKK 948 thousand (2005: +/- DKK 254 thousand), primarily as a result of foreign exchange gains/losses on contract revenue.

The consolidated income statement is also affected by changes in the exchange rate of SEK to DKK, because the results of the subsidiary NeuroSearch Sweden AB are translated into DKK at the end of the year using average exchange rates.

Liquidity risk

A breakdown of the Group's aggregate liquidity risk on financial liabilities made up on a non-discounted basis is shown below:

	<12 months	**1-2 years**	**3-5 years**	**>5 years**
Mortgage debt	12,494	12,494	37,483	143,686
Lease liabilities	8,200	6,996	9,436	-
Other liabilities	30,891	-	-	-
Total at 31 December 2004	**51,585**	**19,490**	**46,919**	**143,686**
Mortgage debt	12,494	12,494	37,483	131,187
Lease liabilities	8,292	6,863	9,781	-
Other liabilities	40,652	-	-	-
Total at 31 December 2005	**61,438**	**19,357**	**47,264**	**131,187**
Mortgage debt	12,494	12,494	37,483	118,697
Lease liabilities	9,006	7,172	10,889	-
Other liabilities	69,348	-	-	-
Total at 31 December 2006	**90,848**	**19,666**	**48,372**	**118,697**

Management ensures it has sufficient capital resources through a combination of cash management, highly liquid marketable securities and non-guaranteed and guaranteed credit facilities.

See the cash flow statement for a specification of capital resources as of 31 December 2006, 2005 and 2004.

24 REVERSAL OF ITEMS WITHOUT A LIQUIDITY EFFECT

	2006	2005	2004
Amortisation, depreciation and impairment	15,858	17,019	17,243
Losses/gains on sales of non-current assets	26	88	(203)
Financial income and expenses	4,787	(3,816)	(2,083)
Fair value adjustments	-	(28,399)	(61,171)
Share of profit/(loss) of associates	20,673	9,298	4,632
Share-based payment	5,078	4,405	1,299
Sale of IPR rights to Painceptor	-	-	(13,300)
Total	**46,422**	**(1,405)**	**(53,583)**

25 ACQUISITION OF SUBSIDIARY

	2006	2005	2004
Initial payment	133,181	-	-
Milestone payment	61,665	-	-
Acquisition costs	10,754	-	-
Cash and cash equivalents of A. Carlsson Research AB	-	-	-
Total	**205,600**	**0**	**0**

26 SALE OF SUBSIDIARY

	2006	2005	2004
Intangible assets	-	-	3,628
Property, plant and equipment	-	-	166
Cash and cash equivalents	-	-	192
Liabilities	-	-	(2,832)
Net assets	0	0	1,154)
Adjustment of cash	-	-	(192)
Cash consideration	**0**	**0**	**962**

2.b. NeuroSearch - interim consolidated financial statements for the six months ended 30 June 2007

Introduction

The interim consolidated financial statements below are an extract of the Group's interim report for the six months ended 30 June 2007 with comparative figures for the six months ended 30 June 2006, which were released to the OMX Nordic Exchange Copenhagen on 22 August 2007. The interim report was presented in accordance with the recognition and measurement requirements of the International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for interim consolidated financial statements of listed companies.

The published interim report for the six months ended 30 June 2007 contains Management's review and consolidated financial statements in accordance with the interim reporting rules issued by the OMX Nordic Exchange Copenhagen; such Management's review has been incorporated into this Offering Circular by reference, as set forth above in section "II.2. Historical financial information".

Statement by the Executive Management and the Board of Directors

The Executive Management and the Board of Directors today considered and approved the interim consolidated financial statements for the six months ended 30 June 2007 for NeuroSearch. The interim consolidated financial statements are presented in accordance with the recognition and measurement requirements of the International Financial Reporting Standards as adopted by the EU. We consider the accounting policies to be appropriate to the effect that the interim consolidated financial statements give a true and fair view of the Group's assets, liabilities and financial position as at 30 June 2007 and of the results of operations and cash flows for the six months ended 30 June 2007.

Ballerup, 3 October 2007

Executive Management

Flemming Pedersen

Board of Directors

Asger Aamund	Marianne Philip	Allan Andersen
Torbjörn Bjerke	Jørgen Buus Lassen	Torben Skov
Lars Siim Madsen		

Independent auditor's report

We have audited the interim consolidated financial statements of NeuroSearch for the six-month period 1 January - 30 June 2007, which comprises income statement, balance sheet, statement of changes in equity and cash flow statement, as presented in Part II pages 55 to 60 of this Offering Circular. The interim consolidated financial statements are prepared in accordance with the recognition and measurement requirements of the International Financial Reporting Standards as adopted by the EU.

Management's responsibility for the interim consolidated financial statements
Management is responsible for the preparation and fair presentation of the interim consolidated financial statements in accordance with the recognition and measurement requirements of the International Financial Reporting Standards as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of interim consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility and basis of opinion
Our responsibility is to express an opinion on the interim consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the interim consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the interim consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the interim consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Management's preparation and fair presentation of the interim consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the interim consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion
In our opinion, the interim consolidated financial statements give a true and fair view of the financial position at 30 June 2007 of the Group and of the results of the Group's operations and cash flows for the six-month period 1 January - 30 June 2007 in accordance with the recognition and measurement requirements of International Financial Reporting Standards as adopted by the EU.

Copenhagen, 3 October 2007
PricewaterhouseCoopers
Statsautoriseret Revisionsaktieselskab

Mogens Nørgaard Mogensen
State Authorised Public Accountant

Brian Benjamin Staalkjær
State Authorised Public Accountant

Income statement for the period 1 January to 30 June (DKK thousands)

	2007	2006
Revenue	46,923	32,984
Total revenue	**46,923**	**32,984**
Research costs	98,953	81,957
Development costs	55,346	20,883
General and administrative costs	17,937	13,156
Total costs	**172,236**	**115,996**
Operating profit (loss)	**(125,313)**	**(83,012)**
Share of profit/(loss) of associates	(9,457)	(9,060)
Fair value adjustments of available-for-sale financial assets	(7,966)	-
Financial income	2,159	996
Financial expense	8,519	7,465
Total financials	**(23,783)**	**(15,529)**
Profit/(loss) before taxes	**(149,096)**	**(98,541)**
Tax on profit/(loss) for the period	-	-
NET PROFIT/(LOSS)	**(149,096)**	**(98,541)**
Earnings per share (DKK)	(12.03)	(12.46)
Diluted earnings per share (DKK)	(12.03)	(12.46)

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

Balance sheet - Assets as of 30 June (DKK thousands)

	2007	2006
Goodwill	84,092	-
Development projects	596,133	-
Licences and patents	6,902	9,065
Land and buildings	126,524	127,929
Plant and machinery	33,714	37,494
Other plant and equipment	4,967	128
Technical plant prepayments	673	795
Investments in associates	12,337	16,251
Available-for-sale financial assets	9,965	22,644
Total non-current assets	**875,307**	**214,306**
Receivables from associates	2,237	-
Other receivables	18,704	9,339
Available-for-sale financial assets	52,053	45,897
Other financial assets at fair value through profit or loss	237,151	235,009
Cash and cash equivalents	6,687	68,307
Total current assets	**316,832**	**358,552**
TOTAL ASSETS	**1,192,139**	**572,858**

Balance sheet – Equity and liabilities as of 30 June (DKK thousands)

	2007	2006
Share capital	248,903	158,309
Reserve for currency translation	(1,316)	-
Other reserves	43,735	41,498
Retained earnings	222,863	112,341
Total equity	**514,185**	**312,148**
Deferred tax	130,404	-
Contingent consideration	41,350	-
Mortgage debt	108,407	113,522
Other long-term debt	16,779	13,155
Total non-current liabilities	**296,940**	**126,677**
Current portion of long-term debt	256,601	12,103
Borrowings	21,873	23,099
Deferred income	46,142	59,674
Trade and other payables	33,941	23,650
Other liabilities	22,457	15,507
Total current liabilities	**381,014**	**134,033**
Total liabilities	**677,954**	**260,710**
TOTAL EQUITY AND LIABILITIES	**1,192,139**	**572,858**

Statement of cash flows for the period 1 January to 30 June (DKK thousands)

	2007	2006
Net profit/(loss)	(149,096)	(98,541)
Reversal of items without cash effect:		
Amortisation, depreciation and impairment	8,338	8,934
Gain/(loss) on sale of non-current assets	174	-
Financial income and expenses	6,360	6,469
Fair value adjustments	7,966	-
Associates	9,457	9,060
Share-based payment	6,823	3,179
Change in working capital:		
Net change in receivables	(1,727)	(1,002)
Net change in short-term debts	23,105	25,852
Cash flow from operating activities	**(88,600)**	**(46,049)**
Payments to invest in property, plant and equipment	(3,591)	(6,377)
Payments to invest in associates	(5,598)	(2,697)
Loans to associates	(1,283)	-
Payments to invest in available-for-sale financial assets	(2,000)	(2,050)
Net change in marketable securities (more than three months)	81,641	(16,708)
Cash flow from investing activities	**69,169**	**(27,832)**
Net proceeds from issuance of shares	15,776	1,298
Proceeds from long-term borrowings	2,536	1,004
Repayment of long-term borrowings	(8,446)	(6,209)
Financial payments received/(paid)	(627)	9,188
Cash flow from financing activities	**9,239**	**5,281**
Net cash flows	**(10,192)**	**(68,600)**
Unrealised gain/(loss) on securities	2,022	(572)
Net increase/(decrease) in cash and cash equivalents	**(8,170)**	**(69,172)**
Cash and cash equivalents at 1 January	(7,211)	137,479
Foreign exchange adjustments of cash and cash equivalents	195	-
Cash and cash equivalents at 30 June	**(15,186)**	**68,307**
Cash and cash equivalents at 30 June	6,687	91,406
Borrowings at 30 June	(21,873)	(23,099)
Cash and cash equivalents at 30 June	**(15,186)**	**68,307**
Securities at 30 June	237,151	235,009
Other available-for-sale financial assets at 30 June	52,053	45,897
Other capital reserves at 30 June	80,920	901
Capital resources at 30 June	**354,938**	**350,114**

The cash and cash equivalents of associates is not recognised in the interim consolidated financial statements. Total capital resources in associates, consisting of cash and cash equivalents, amounted to DKK 46 million at 30 June 2007 and DKK 36.7 million at 30 June 2006.

Statement of movements in equity (DKK thousands)

	Share capital*	Share-premium**	Reserve for currency translation	Other reserves	Retained earnings	Total
Equity at 1 January 2006	**157,790**	**0**	**0**	**43,250**	**206,924**	**407,964**
Net profit	-	-	-	-	(98,541)	(98,541)
Effect of changes in accounting policies:						
Fair value gains/(losses) from available-for-sale financial assets	-	-	-	(1,752)	-	(1,752)
Total recognised income for the year	**0**	**0**	**0**	**(1,752)**	**(98,541)**	**(100,293)**
Employee warrant programme:						
- costs of share-based payment	-	-	-	-	3,179	3,179
- proceeds from shares issued	519	856	-	-	-	1,375
- costs of equity issues	-	(77)	-	-	-	(77)
Transfer	-	(779)	-	-	779	0
Equity at 30 June 2006	**158,309**	**0**	**0**	**41,498**	**112,341**	**312,148**
Equity at 1 July 2006	**158,309**	**0**	**0**	**41,498**	**112,341**	**312,148**
Fair value adjustment of available-for-sale financial assets	-	-	-	12,763	-	12,763
Fair value adjustment of net investment in foreign subsidiary	-	-	(7,983)	-	-	(7,983)
Currency translation	-	-	13,128	-	-	13,128
Net profit	-	-	-	-	(113,625)	(113,625)
Total recognised income for the year	**0**	**0**	**5,145**	**12,763**	**(113,625)**	**(95,717)**
Rights issue:						
- proceeds from shares issued	79,414	317,657	-	-	-	397,071
- costs of rights issue	-	(29,484)	-	-	-	(29,484)
Consideration shares in connection with acquisition of subsidiary	8,147	59,843	-	-	-	67,990
Employee warrant programme:						
- costs of share-based payment	-	-	-	-	1,899	1,899
- proceeds from shares issued	520	3,325	-	-	-	3,845
- costs of equity issues	-	(83)	-	-	-	(83)
Transfer	-	(351,258)	-	-	351,258	0
Equity at 31 December 2006	**246,390**	**0**	**5,145**	**54,261**	**351,873**	**657,669**

Statement of movements in equity (continued) (DKK thousands)

	Share capital*	Share-premium**	Reserve for currency translation	Other reserves	Retained earnings	Total
Equity at 1 January 2007	**246,390**	**0**	**5,145**	**54,261**	**351,873**	**657,669**
Fair value gains/(losses) from available-for-sale financial assets	-	-	-	(10,526)	-	(10,526)
Fair value adjustment of net investment in foreign subsidiary	-	-	(12,383)	-	-	(12,383)
Currency translation	-	-	5,922	-	-	5,922
Net profit	-	-	-	-	(149,096)	(149,096)
Total recognised income for the year	**0**	**0**	**(6,461)**	**(10,526)**	**(149,096)**	**(166,083)**
Rights issue:						
- proceeds from shares issued	-	-	-	-	-	0
- costs of rights issue	-	-	-	-	-	0
Consideration shares in connection with acquisition of subsidiary	-	-	-	-	-	0
Employee warrant programme:						
- costs of share-based payment	-	-	-	-	6,823	6,823
- proceeds from shares issued	2,513	13,370	-	-	-	15,883
- costs of equity issues	-	(107)	-	-	-	(107)
Transfer	-	(13,263)	-	-	13,263	0
Equity at 30 June 2007	**248,903**	**0**	**(1,316)**	**43,735**	**222,863**	**514,185**

* Under Danish corporate law, share capital may not be used for distribution of dividends.

** In accordance with amendments to the Danish Public Companies Act, "share premium" has been transferred to "retained earnings".

(DKK thousands)	**2002**	**2003**	**2004**	**2005**	**2006**	**H1 2007**
Share capital at 1 January	141,597	141,597	153,917	154,816	157,790	246,390
Capital increase	-	12,320	-	-	87,561	-
Exercise of warrants	-	-	899	2,974	1,039	2,513
Share capital at period end	**141,597**	**153,917**	**154,816**	**157,790**	**246,390**	**248,903**

2.c. Carlsson Research (now NeuroSearch Sweden) - Financial statements for 2005 and interim financial statements for the six months ended 30 June 2006

Introduction

Before Carlsson Research (now NeuroSearch Sweden AB) was acquired by NeuroSearch, the company's financial year end was 30 June. For the purpose of the offering circular prepared for NeuroSearch dated 22 September 2006, the historical financial information of Carlsson Research was restated so as to be presented for the year ended 31 December 2005 and the six months ended 30 June 2006. This historical financial information of Carlsson Research for 2005 and the six months ended 30 June 2006 is reproduced below in its entirety and without changes with the related auditor's report dated 11 September 2006.

The audited financial statements of Carlsson Research for 2005 and the six months ended 30 June 2006 have been prepared in accordance with Swedish accounting standards. These financial statements are presented in SEK.

Income statement (SEK thousands)

		H1 2006	2005
18	Revenue	8	90,827
	Total revenue	**8**	**90,827**
	Capitalised cost of development	7,335	25,398
1.2	Research and development costs	17,961	41,985
1.2	General and administrative costs	5,005	11,176
	Total costs	**22,966**	**53,161**
	Operating profit/(loss)	**(15,623)**	**63,064**
3	Financial income	350	912
4	Financial expenses	2	4
	Total financials	**348**	**908**
	Profit/(loss) before taxes	**(15,275)**	**63,972**
5	Tax on profit/(loss) for the year	-	(9,020)
5	Deferred tax income	4,266	3,189
	NET PROFIT/(LOSS)	**(11,009)**	**58,141**
6	Earnings per share, SEK	(0.45)	2.38
6	Diluted earnings per share, SEK	(0.45)	2.38

Balance sheet (SEK thousands)

	ASSETS	30 June 2006	31 December 2005
7	Intangible assets	42,001	34,665
8	Property, plant and equipment	4,687	5,479
5,11	Deferred tax asset	7,455	3,189
	Total non-current assets	**54,143**	**43,333**
10	Other receivables	3,359	4,073
11	Cash and cash equivalents	24,526	49,189
	Total current assets	**27,885**	**53,261**
	TOTAL ASSETS	**82,028**	**96,594**
	LIABILITIES		
	Share capital	2,444	2,444
12	Share premium	28,000	28,000
	Retained earnings	44,093	55,104
	Total equity	**74,537**	**85,548**
	Other long-term debt	-	-
	Total non-current liabilities	**0**	**0**
	Trade and other payables	1,783	5,558
	Other liabilities	5,708	5,488
	Total current liabilities	**7,491**	**11,046**
	Total liabilities	**7,491**	**11,046**
	TOTAL EQUITY AND LIABILITIES	**82,028**	**96,594**

9 Investments in subsidiaries
14 Fees to auditors appointed at the general meeting
15 Related parties
16 Contingent liabilities and commitments
17 Financial risks
18 Revenue
19 Accounting estimates and judgments

Statement of cash flows (SEK thousands)

		H1 2006	2005
	Net profit/(loss)	(11,009)	58,141
	Reversal of items without cash effect:		
	Amortisation, depreciation and impairment	851	1,384
13	Other reversed items without cash-flow effect	(11,602)	(28,592)
	Change in working capital:		
	Net change in receivables	712	(1,115)
	Net change in short-term debts	(3,555)	5,845
	Cash flow from operating activities	**(24,603)**	**35,664**
	Payments to invest in property, plant and equipment	(60)	(3,153)
	Proceeds from sale of property, plant and equipment	-	9
	Cash flow from investing activities	**(60)**	**(3,144)**
	Net change in long-term debt	-	(1,000)
	Net proceeds from issuance of shares	-	15,000
	Cash flow from financing activities	**0**	**14,000**
	Net increase/(decrease) in cash and cash equivalents	**(24,663)**	**46,520**
	Cash and cash equivalents at the beginning of the period	49,188	2,669
	Cash and cash equivalents at the end of the period	**24,525**	**49,188**

Statement of movements in equity (SEK thousands)

	Share capital	Share premium	Retained earnings	Total
Equity at 1 January 2005	**1,944**	**13,501**	**-3,039**	**12,405**
Net profit	-	-	58,142	58,142
Total recognised income for the year	**1,944**	**13,501**	**55,102**	**70,547**
Proceeds from shares issued	500	14,500	-	15,000
Adjustment due to transition from financial year to calendar year	-	-	2	2
Equity at 31 December 2005	**2,444**	**28,000**	**55,104**	**85,549**
Equity at 1 January 2006	**2,444**	**28,000**	**55,104**	**85,549**
Net profit	-	-	(11,009)	(11,009)
Total recognised income for the year	**2,444**	**28,000**	**44,095**	**74,540**
Adjustment due to transition from financial year to calendar year	-	-	(2)	(2)
Equity at 30 June 2006	**2,444**	**28,000**	**44,093**	**74,537**

Share premium is defined as the difference between the net proceeds from the issue of share capital and the par value of that share capital.

All shares are ordinary shares with a nominal value of SEK 0.1 each. Each ordinary share carries one vote.

Notes to the financial statements (SEK thousands)

		H1 2006	2005
1	**AMORTISATION, DEPRECIATION AND IMPAIRMENT**		
	Property, plant and equipment		
	Recognised in:		
	Research and development costs	794	1,292
	General and administrative costs	57	92
		851	**1,384**
2	**STAFF**		
	Staff costs were:		
	Salaries and wages	6,411	11,837
	Pensions	1,028	1,788
	Social security costs	2,446	4,553
	Other staff costs	738	2,558
		10,623	**20,736**
	Recognised in:		
	Research and development costs	9,022	19,044
	General and administrative costs	1,601	1,692
		10,623	**20,736**
	Of which remuneration to the Executive Management and Board of Directors:		
	Executive Management:		
	Salaries	491	80
	Pensions	147	16
	Total	**638**	**96**
	Board of Directors:		
	Fees	475	475
	Total	**475**	**475**

The CEO of Carlsson Research has no agreement regarding compensation upon leaving employment. The notice of termination is 12 months.

3	**INTEREST INCOME AND OTHER FINANCIAL INCOME**		
	Interest income	350	912
		350	**912**

4 INTEREST EXPENSE AND OTHER FINANCIAL EXPENSE

	H1 2006	2005
Interest expense	2	4
	2	**4**

5 TAX (SEK million)

Profit/(loss) before tax	(15)	64
Estimated tax (28%)	**4**	**(18)**
Tax at other tax rate than the rate applicable in Sweden	-	(9)
Tax losses for which no deferred tax asset was recognised*	-	16
Deferred tax income on tax losses carried forward	-	3
Tax effects from changing to calendar year		2
Taxation	**4**	**(6)**
Calculated tax on the pre-tax profit of the parent company for the year	-	(9)
Total tax	**0**	**(9)**
Tax losses carried forward	26	11
Total deductible temporary differences	**26**	**11**
Current tax rate	28%	28%
Estimated potential deferred tax asset*	7	3
Recognised deferred tax asset, accumulated	**7**	**3**

* No deferred tax assets on losses carried forward were recognised prior to 2005.

6 EARNINGS PER SHARE

Basic earnings per share have been calculated by dividing the net profit/(loss) for the financial period by the average number of shares in issue.

Net profit/(loss) (SEK thousands)	(11,009)	58,141
Average number of outstanding shares	24,439,994	24,439,994
Earnings per share (SEK)	**(0.45)**	**2.38**
Diluted earnings per share (SEK)	(0.45)	2.38

7 INTANGIBLE ASSETS

	H1 2006	2005
Cost at beginning of period	34,795	9,397
Additions	7,335	25,398
Disposals	0	0
Cost at end of period	42,131	34,795
Accumulated amortisation and impairment at beginning of period	130	130
Amortisation	0	0
Accumulated amortisation and impairment at end of period	130	130
Carrying amount at end of period	**42,001**	**34,665**

8 PROPERTY, PLANT AND EQUIPMENT

Cost at the beginning of the period	12,202	9,067
Additions	60	3,154
Disposals	0	19
Cost at the end of the period	12,262	12,202
Accumulated depreciation at the beginning of the period	6,724	5,350
Depreciation	851	1,384
Disposals	0	10
Accumulated depreciation at the end of the period	7,575	6,724
Carrying amount at the end of the period	**4,687**	**5,478**

9 INVESTMENTS IN SUBSIDIARIES

	Number of issued shares	Nominal value of issued shares (SEK)	Percentage of capital and votes (%)	Carrying amount at 30 June 2006	Carrying amount at 31 Dec. 2005	Carrying amount at 31 Dec. 2004
A. Carlsson Research Service AB	1,000	100,000	100.00	100,000	100,000	100,000

10 OTHER RECEIVABLES

Project debtors	0	18
VAT reimbursement	707	1,324
Prepaid costs	1,987	2,312
Other receivables	665	419
	3,359	**4,073**

11 CASH AND CASH EQUIVALENTS

	H1 2006	2005
Money market accounts	6,978	17,389
Fixed-term deposits*	17,548	31,800
	24,526	**49,189**

* Fixed term certificate of deposit

12 OTHER RESERVES

Share premium	28,000	28,000
	28,000	**28,000**

13 OTHER REVERSED ITEMS WITHOUT CASH-FLOW EFFECT

Capitalised cost of research & development	7,335	25,398
Deferred tax income	4,267	3,189
	11,602	**28,587**

14 FEES TO AUDITORS APPOINTED AT GENERAL MEETING

Fees to Acrevi Revision		
Audit	107	58
	107	**58**

15 RELATED PARTIES

Carlsson Research AB's subsidiary Carlsson Research Service AB has provided administrative services to Carlsson Research AB for which they have charged an amount of SEK 315 thousand for the year ended 31 December 2005 and SEK 172 thousand for the six months ended 30 June 2006.

In the financial year ended 31 December 2005 Carlsson Research AB used administrative services of BMP Consulting AB in the amount of SEK 898 thousand and HBH Consultants in the amount of SEK 661 thousand.

In the six months ended 30 June 2006 Carlsson Research AB used administrative services of BMP Consulting AB in the amount of SEK 862 thousand, HBH Consultants in the amount SEK 261 thousand and Vedicon AB in the amount of SEK 15 thousand. All expenses are included in the line item General and administrative costs in the income statement.

		H1 2006	2005
16	**CONTINGENT LIABILITIES AND COMMITMENTS**		
	Rent and lease liabilities		
	Minimum lease payments under operating lease contracts amount to:		
	0-1 years	573	562
	1-5 years	1,673	1,805
	> 5 years	940	1,229
	Total	**3,186**	**3,596**

17 FINANCIAL RISKS

Based on Carlsson Research's financial assets and liabilities, the company is exposed to certain financial risks, primarily foreign currency risk and liquidity risk. The foreign currency risk is a minor risk due to the small amount of foreign currency transactions so far. Also the liquidity risk is reduced to a minimum by way of liquid marketable securities at short term and low risk.

The company is dependent on further out-licensing of products or additional external capital to continue its operations.

18 REVENUE

In 2005 Carlsson Research received a licence fee of EUR 10 million. No capitalised costs were reversed, since there were no capitalised costs attributable to this asset.

19 ACCOUNTING ESTIMATES AND JUDGMENTS

The management of Carlsson Research considers the following estimates and judgments to be material for the preparation of the financial statements.

Development costs
Development costs are capitalised if it is sufficiently certain that the costs are recoverable, that they are discernable and in the company's right of possession and the earnings can cover development and administrative costs, and selling and production costs if any. SEK 7.3 million has been capitalised in H1 2006, SEK 25.4 in 2005.

Deferred tax
Carlsson Research recognises deferred tax assets when it is likely that there will be sufficient future taxable income to use unutilised tax losses. The management of Carlsson Research regularly considers whether the accounting criteria for recognising the assets in the balance sheet and income statement have been met.

The management of Carlsson Research has carefully assessed whether the tax asset should be recognised as income in the income statement and/or as an asset in the balance sheet. The management of Carlsson Research believes that for the year 2005 and H1 2006 there is a high probability that there will be sufficient future taxable income.

Therefore the tax is recognised as income in the income statement and as an asset in the balance sheet.

Independent auditor's report

Auditor's report on the financial statements for the financial year 2005 and for the six months 1 January - 30 June 2006

We have audited the financial statements for 2005 and the interim financial statements for the six month period 1 January - 30 June 2006 of Carlsson Research AB, as presented in Part II, pages 61 to 70 of the Offering Circular. The financial statements for 2005 and the interim financial statements for the six month period 1 January - 30 June 2006 are prepared for the purpose of the offering circular for NeuroSearch A/S dated 22 September 2006. The financial statements for 2005 and the interim financial statements have been prepared in accordance with Swedish GAAP.

The financial statements are the responsibility of the executive management and the board of directors of Carlsson Research AB. Our responsibility is to express an opinion on the financial statements for 2005 and the interim financial statements based on our audit.

Basis of opinion
We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements and the interim financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and the interim financial statements. An audit also includes assessing the accounting policies applied and significant estimates made by the executive management and the board of directors of Carlsson Research AB, as well as evaluating the overall presentation of the financial statements and the interim financial statements. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not resulted in any qualification.

Opinion
In our opinion, the financial statements and the interim financial statements give a true and fair view of the financial position at 31 December 2005 and 30 June 2006 of the company and of the results of the company's operations and cash flows for the twelve-month period 1 January - 31 December 2005 and the six-month period 1 January - 30 June 2006 in accordance with Swedish GAAP.

Copenhagen, 11 September 2006

PricewaterhouseCoopers
Statsautoriseret Revisionsaktieselskab

Jens Røder
State Authorised Public Accountant

2.d. Carlsson Research (now NeuroSearch Sweden) - interim financial statements for the six months ended 31 December 2006

Introduction

The following historical financial information for Carlsson Research includes figures for the six months ended 31 December 2006. The historical financial information of Carlsson Research for the six months ended 31 December 2006 is an extract of the published interim financial statements for the six months ended 31 December 2006. These financial statements were audited by PricewaterhouseCoopers, which also issued an auditor's report dated 10 May 2007, and adopted by the annual general meeting on 10 May 2007. For certain items, the presentation of the interim financial statements has been adjusted as compared with the published six month financial statements in order to adapt to the layout of the Group's financial statements.

The published interim financial statements for the six months ended 31 December 2006 contains Management's review. However, the interim financial statements in this Offering Circular do not include such Management's review.

Statement by the Executive Management and the Board of Directors

The Executive Management and the Board of Directors today considered and adopted the interim financial statements of Carlsson Research for the six months ended 31 December 2006 prepared for use in this Offering Circular. The interim financial statements are presented in accordance with Swedish accounting standards and have been presented in SEK. Management considers the accounting policies to be appropriate so that the interim consolidated financial statements give a true and fair view of Carlsson Research's assets, liabilities and financial position as at 31 December 2006 and of the results of operations and cash flows for the six months ended 31 December 2006.

Ballerup, 3 October 2007

Executive Management

Flemming Pedersen

Board of Directors

Asger Aamund	Marianne Philip	Allan Andersen
Torbjörn Bjerke	Jørgen Buus Lassen	Torben Skov
Lars Siim Madsen		

Independent auditor's report

We have audited the interim financial statements of Carlsson Research for the six-month period 1 July - 31 December 2006 which comprises income statement, balance sheet, statement of changes in equity, cash flow statements and notes, as presented in Part II, pages 75 to 81 of the Offering Circular. The interim financial statements are prepared in accordance with Swedish accounting standards.

Management's responsibility for the interim financial statements
Management is responsible for the preparation and fair presentation of the interim financial statements in accordance with Swedish accounting standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of interim financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility and basis of opinion
Our responsibility is to express an opinion on the interim financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the interim financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the interim financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the interim financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Management's preparation and fair presentation of the interim financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the interim financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. Our audit has not resulted in any qualification.

Opinion
In our opinion, the interim financial statements gives a true and fair view of the financial position at 31 December 2006 of Carlsson Research and of the results of Carlsson Research's operations and cash flows for the six-month period 1 July - 31 December 2006 in accordance with Swedish accounting standards.

Copenhagen, 3 October 2007
PricewaterhouseCoopers
Statsautoriseret Revisionsaktieselskab

Mogens Nørgaard Mogensen
State Authorised Public Accountant

Brian Benjamin Staalkjær
State Authorised Public Accountant

Income statement (SEK thousands)

		H2 2006
	Revenue	431
	Total revenue	**431**
	Capitalised cost of development	23,751
1,2	Research and development costs	28,007
1,2	General and administrative costs	2,528
	Total costs	**30,535**
	Operating profit/(loss)	**(6,353)**
	Interest income	174
	Interest expenses	15
	Total financials	**159**
	Profit/(loss) before taxes	**(6,194)**
	Tax on profit/(loss) for the year	-
	Deferred tax income	-
	NET PROFIT/(LOSS)	**(6,194)**
3	Earnings per share, SEK	(0.25)
3	Diluted earnings per share, SEK	(0.25)

Balance sheet (SEK thousands)

		31 December 2006
	ASSETS	
4	Intangible assets	65,752
5	Property, plant and equipment	4,039
	Total non-current assets	**69,791**
6	Other receivables	3,179
7	Cash and cash equivalents	877
	Total current assets	**4,056**
	TOTAL ASSETS	**73,847**
	LIABILITIES AND EQUITY	
	Share capital	2,444
8	Share premium	28,000
	Retained earnings	30,445
	Total equity	**60,889**
	Trade and other payables	1,784
	Debt to parent company	6,175
	Other liabilities	4,999
	Total current liabilities	**12,958**
	Total liabilities	**12,958**
	TOTAL EQUITY AND LIABILITIES	**73,847**
10	Fees to auditors appointed at the general meeting	
11	Related parties	
12	Contingent liabilities and commitments	

Statement of cash flows (SEK thousands)

		H2 2006
	Net profit/(loss)	(6,194)
	Reversal of items without cash effect:	
	Amortisation, depreciation and impairment	760
9	Other reversed items without cash-flow effect	(23,751)
	Change in working capital:	
	Net change in receivables	182
	Net change in short-term debts	5,467
	Cash flow from operating activities	**(23,536)**
	Payments to invest in property, plant and equipment	(112)
	Cash flow from investing activities	**(112)**
	Net increase/(decrease) in cash and cash equivalents	(23,648)
	Cash and cash equivalents at the beginning of the period	24,525
	Cash and cash equivalents at the end of the period	**877**

Statement of movements in equity (SEK thousands)

	Share* capital	Share* premium	Retained earnings	Total
Equity at 1 July 2006	**2,444**	**28,000**	**44,093**	**74,537**
Deferred tax adjustment	-	-	(7,454)	(7,454)
Net profit	-	-	(6,194)	(6,194)
Equity at 31 December 2006	**2,444**	**28,000**	**30,445**	**60,889**

* Restricted equity

All shares are ordinary shares with a nominal value of SEK 0.1 each. Each ordinary share carries one vote.

Notes to the financial statements (SEK thousands)

		H2 2006
1	**AMORTISATION, DEPRECIATION AND IMPAIRMENT**	
	Property, plant and equipment	
	Recognised in:	
	Research and development costs	717
	General and administrative costs	43
	Total costs	**760**

2	**STAFF**	
	Staff costs were:	
	Salaries and wages	6,817
	Pensions	1,056
	Social security costs	2,240
	Other staff costs	(146)
		9,967
	Recognised in:	
	Research and development costs	8,198
	General and administrative costs	1,769
	Total costs	**9,967**

Of which remuneration to the Executive Management and Board of Directors:

Executive Management:	
Salaries	482
Pensions	155
Total	**637**
Board of Directors:	
Fees	158
Total	**158**

The CEO of Carlsson Research has no agreement regarding compensation upon leaving employment. The notice of termination is 12 months.

3	**EARNINGS PER SHARE**	
	Net profit/(loss) (SEK thousands)	(6,194)
	Average number of outstanding shares	24,439,994
	Earnings per share (SEK)	**(0.25)**
	Diluted earnings per share (SEK)	(0.25)

4 INTANGIBLE ASSETS

	H2 2006
Cost at 1 July 2006	42,131
Additions	23,751
Disposals	0
Cost at 31 December 2006	65,882
Accumulated amortisation and impairment at 1 July 2006	130
Amortisation	0
Accumulated amortisation and impairment at 31 December 2006	130
Carrying amount at 31 December 2006	**65,752**

5 PROPERTY, PLANT AND EQUIPMENT

Cost at 1 July 2006	12,262
Additions	112
Disposals	0
Cost at 31 December 2006	12,374
Accumulated depreciation at 1 July 2006	7,575
Depreciation	760
Disposals	0
Accumulated depreciation at 31 December 2006	8,335
Carrying amount at 31 December 2006	**4,039**

6 OTHER RECEIVABLES

Project debtors	18
VAT reimbursement	969
Prepaid costs	1,777
Other receivables	415
	3,179

7 CASH AND CASH EQUIVALENTS

Money market accounts	877
	877

8 OTHER RESERVES

	H2 2006
Share premium	28,000
	28,000

9 OTHER REVERSED ITEMS WITHOUT CASH-FLOW EFFECT

Capitalised cost of research & development	23,751
	23,751

10 FEES TO AUDITORS APPOINTED AT GENERAL MEETING

Audit	158
	158

11 RELATED PARTIES

Carlsson Research AB's subsidiary Carlsson Research Service AB has provided administrative services to Carlsson Research AB for which they have charged an amount of SEK 170 thousand for H2 2006.

12 CONTINGENT LIABILITIES AND COMMITMENTS

Rent and lease liabilities

Minimum lease payments under operating lease contracts amount to:

	H2 2006
0-1 years	4,298
1-5 years	16,286
> 5 years	8,268
Total	**28,852**

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NEUROSEARCH A/S

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PART III
THE OFFERING

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III. The Offering

1. Responsibility statements

See “Responsibility Statements” on page 9 at the beginning of this Offering Circular.

2. Risk factors related to the Offering

For a description of risk factors related to the Offering, see “Risk factors” earlier in this Offering Circular.

3. Key information

3.a. Working capital statement

Management considers that NeuroSearch's working capital, prior to the Offering, is sufficient to cover its current requirements at least until the beginning of the second half of 2008.

Management believes that NeuroSearch's capital resources including the proceeds from the Offering, if fully subscribed, revenues from its operating activities and interest income will be sufficient to fund its operations at least until the end of 2009. See "III.5.c. Completion of the Offering".

Many factors have an impact on whether the funds available to NeuroSearch are sufficient, including the scientific progress in its research and development programmes, the scope of such programmes, NeuroSearch's obligations to existing and new clinical partners, its ability to establish commercial relations and licence arrangements, its investments in non-current assets, market developments, milestone payments in cash to the selling shareholders of Carlsson Research and any future acquisitions NeuroSearch may undertake. Thus, NeuroSearch may need additional funds and NeuroSearch may seek to obtain additional funding by way of equity or debt financing, collaborative agreements with commercial partners or from other sources.

Management believes that NeuroSearch's capital resources are sufficient to cover all current commitments and liabilities also at least until the beginning of the second half of 2008. However, the adequacy of the capital resources depends on a number of factors, including whether the Company becomes obliged during the said period to effect milestone payments to the selling shareholders of Carlsson Research (now NeuroSearch Sweden) pursuant to the Carlsson Research Agreement. See "I.19.a Agreement to acquire the share capital of Carlsson Research (now NeuroSearch Sweden)". While the Company is entitled, in its sole discretion, to effect such milestone payments by issuing new Shares (instead of paying cash), issuing new Shares may for various reasons prove not to be in the best interest of the Company or to be impossible to effect. Furthermore, developments in the current development programmes or the undertaking of new activities may require further capital resources. For a discussion of additional risks related to the need for financing and to potential dilution of the Shareholders, see "Risk factors".

3.b. Capitalisation and indebtedness

The total equity of NeuroSearch as of 30 September 2007 was DKK 440.2 million (EUR 59.2 million), and NeuroSearch's bank loans, long-term debt and leasing obligations relating to operating and finance leases totalled DKK 424.4 million (EUR 57.0 million) as of 30 September 2007.

The statement below shows the total capitalisation, including the equity of NeuroSearch as of 30 September 2007. These amounts are also shown as adjusted for the net proceeds of approximately DKK 732 million (EUR 98 million), if the Offering is fully subscribed. See "III.3.d. Reason for the Offering and use of proceeds".

Table 1: Total equity and indebtedness of NeuroSearch

	As of 30 September 2007 Actual		As of 30 September 2007 Restated (maximum)[1]	
(In millions)	DKK	EUR	DKK	EUR[2]
Debt				
Long-term debt	424.4	57.04	424.4	57.04
Bank loans	21.1	2.84	21.1	2.84
Total debt	445.5	59.88	445.5	59.88
Equity				
Share capital	248.9	33.45	304.2	40.89
Share premium[3]	-	-	676.5	90.92
Reserve for currency translation	(0.1)	(0.01)	(0.1)	(0.01)
Other reserves[4]	36.5	4.91	36.5	4.91
Retained earnings	154.9	20.82	154.9	20.82
Total equity	440.2	59.17	1,172.0	157.53
Total capitalisation[5]	885.7	119.05	1,617.5	217.40

(1) Adjusted for the issue of the Offered Shares, including estimated costs in connection with the Offering, if the Offering is fully subscribed.

(2) Translated into EUR as described in "General Information" in this Offering Circular.

(3) In accordance with the provisions of the Danish Public Companies Act, "share premium" is not considered an undistributable reserve, so the amount was transferred to "Retained earnings" as of 30 September 2007.

(4) "Other reserves" are made up of unrealised gains and losses as a result of fair value adjustments of available-for-sale financial assets.

(5) "Total capitalisation" is the sum of equity and debt.

No material changes to NeuroSearch's capitalisation have occurred since 30 September 2007.

3.c. Interest of natural and legal persons involved in the Offering

The Company is not aware of any interests in, or conflicts of interests in relation to, the Offering that are material to the Company.

3.d. Reasons for the Offering and use of proceeds

The reason for the Offering is to provide NeuroSearch with funding for future clinical development of its pipeline, for research activities, general corporate purposes and to strengthen its negotiating position in relation to licence partners. The gross proceeds of the Offering are expected to amount to DKK 774 million (EUR 104 million) if the Offering is fully subscribed.

NeuroSearch intends to use the proceeds of the Offering, together with guaranteed income under the GSK Agreement, future milestones and its existing cash balances to fund its ongoing activities. A significant part of the proceeds will be used to fund fully or partly the Phase III development programmes of tesofensine for obesity, and of ACR16 for Huntington's disease, where the expected costs for the Huntington programme amounts to DKK 100-130 million (EUR 13.4-17.5 million). In addition to funding its most mature programmes, the use of proceeds will include funding of NeuroSearch's pre-clinical pipeline and the future clinical development of drug candidates, which are currently not funded by collaborative partners.

The amounts and timing of NeuroSearch's actual expenditures cannot be predicted with certainty, and the specific use of the net proceeds of the Offering will depend upon numerous factors, including the amount of the net proceeds actually generated from the Offering, the timing and outcome of its pre-clinical and clinical studies and the timing of its applications for registration. NeuroSearch may need to change the use of the net proceeds as a result of future events, including progress and results of its clinical studies and other research and development activities, signing of partnership and licence agreements, acquisitions of products or businesses as well as changes in legislation and competition.

NeuroSearch therefore wishes to keep a high degree of flexibility as regards the use of the net proceeds of the Offering, and the amounts and timing of actual expenditures may deviate from its estimates. Pending utilisation, NeuroSearch plans to invest the net proceeds of the Offering in accordance with its investment policy as described in "I.9. Capital resources". In addition, NeuroSearch will have to pay certain milestones, that may become due, in cash or Shares at NeuroSearch's choice to the selling shareholders of Carlsson Research, pursuant to the Carlsson Research Agreement. See "I.19.a. Agreement to acquire the share capital of Carlsson Research (now NeuroSearch Sweden)".

For more information, see "Risk Factors".

4. Information concerning the securities to be offered

4.a. Type of securities, Allocation Time and securities codes

The Preemptive Rights

The allotment free of charge of the Preemptive Rights will be made to the Existing Shareholders who are registered as Shareholders with VP Securities Services on Friday, 9 November 2007 at 12.30 p.m. CET. Shares traded after Tuesday, 6 November 2007 will be traded ex Preemptive Rights.

The Preemptive Rights will have the securities code ISIN DK0060098408.

An application to list the Preemptive Rights for trading on the OMX Nordic Exchange Copenhagen has been filed, and the Preemptive Rights are expected to be traded on the OMX Nordic Exchange Copenhagen during the period from Wednesday, 7 November 2007 at 9.00 a.m. CET to Tuesday, 20 November 2007 at 5.00 p.m. CET.

The Subscription Period for the Offered Shares commences on Monday, 12 November 2007 at 9.00 a.m. CET and closes on Friday, 23 November 2007 at 5.00 p.m. CET.

The Offering is being made at the ratio of 2:9 which means that each Existing Share will be allocated two (2) Preemptive Rights and that nine (9) Preemptive Rights will be required to subscribe one (1) Offered Share.

The Offered Shares

The Offered Shares issued by the Company upon exercise of the Preemptive Rights shall be of the same class as the Existing Shares and will be registered under the temporary securities code ISIN DK0060098325. The Offered Shares will not be listed on the OMX Nordic Exchange Copenhagen until registration of the capital increase has taken place with the Danish Commerce and Companies Agency. The listing of and the commencement of trading in the Offered Shares under the temporary securities code on the OMX Nordic Exchange Copenhagen is expected to take place on Wednesday, 28 November 2007. The temporary securities code is expected to be merged with the permanent securities code for the Existing Shares (ISIN DK0010224666) as soon as possible following the registration of the capital increase with the Danish Commerce and Companies Agency. The merger of the securities codes is expected to take place on Thursday, 29 November 2007. See "Risk factors – Risks relating to the Offering".

4.b. Applicable law and jurisdiction

The Offering is subject to Danish law. Any dispute which may arise as a result of the Offering shall be brought before the Danish courts of law.

4.c. Registration

All Preemptive Rights and Offered Shares will be delivered in book entry form through allocation to accounts with VP Securities Services through a Danish bank or other institution authorised as the custodian of such shares. VP Securities Services is located at Helgeshøj Allé 61, DK-2630 Taastrup. The Preemptive Rights and the Offered Shares are issued in non-certificated bearer form. The Offered Shares may be registered in the name of the holder in the Company's register of shareholders through the holder's custodian bank.

4.d. Currency

The Offering will be carried out and trading of the Preemptive Rights and the Offered Shares will be effected in Danish kroner. The Offered Shares are denominated in Danish kroner.

4.e. Rights attached to the Preemptive Rights and the Offered Shares

The Preemptive Rights

Nine (9) Preemptive Rights confer the right to subscribe one (1) Offered Share with a nominal value of DKK 20 each. The Preemptive Rights may be traded on the OMX Nordic Exchange Copenhagen during the period from Wednesday, 7 November 2007 at 9.00 a.m. CET to Tuesday, 20 November 2007 at 5.00 p.m. CET and exercised in the period from Monday, 12 November 2007 at 9.00 a.m. CET to Friday, 23 November 2007 at 5.00 p.m. CET (the latter period is the Subscription Period).

The Preemptive Rights may be exercised only by using the number of Preemptive Rights that allow subscription for a whole number of Offered Shares. If a holder of Preemptive Rights does not have a sufficient number of Preemptive Rights to subscribe for a whole number of Offered Shares, such holder wishing to subscribe for Offered Shares must acquire in the market, during the period for trading in Preemptive Rights, the number of Preemptive Rights necessary to subscribe for a whole number of Offered Shares or may choose to sell the Preemptive Rights during the same period.

Preemptive Rights that are not exercised during the Subscription Period will lapse with no value, and a holder of such Preemptive Rights will not be entitled to compensation. The Subscription Period will end on Friday, 23 November 2007 at 5.00 p.m. CET.

If the Offering is not completed, the exercise of Preemptive Rights that has already taken place will automatically be cancelled, the subscription price will be refunded (less any brokerage fees), all Preemptive Rights will be null and void, and no Offered Shares will be issued. However, trades of Preemptive Rights executed during the trading period for the Preemptive Rights will not be affected. As a result, investors who acquired Preemptive Rights will incur a loss corresponding to the purchase price of the Preemptive Rights. If the Offering is not completed, the Offered Shares will not be issued and investors who have acquired Offered Shares in an off-market transaction risk losing their investment if they are not successful in reclaiming the purchase price from the seller of such Offered Shares.

The Offered Shares

The Offered Shares will, when fully paid up and registered in the Danish Commerce and Companies Agency, have the same rights as the Existing Shares.

Dividend rights/Rights to share in profits

The Offered Shares are eligible for dividends paid by the Company after the issue of the Offered Shares and the registration of the capital increase with the Danish Commerce and Companies Agency. Consequently, the Offered Shares are eligible for any dividends payable in respect of the 2007 financial year and all dividends declared and paid thereafter.

The Company has not paid dividends in the past and does not plan to do so within the foreseeable future.

Dividends are paid in DKK to the Shareholder's account set up through VP Securities Services. There are no dividend restrictions or special procedures for non-resident holders of Offered Shares. See "III.4.k. Taxation" below for a description of the treatment of dividends under Danish tax law. Dividends which are not claimed by the Shareholders are forfeited in accordance with the general rules of Danish law.

No option exists to pay interim dividends pursuant to the Articles of Association.

The Company does not pay dividends cumulatively.

Voting rights

A Shareholder is entitled to one vote for each nominal share amount of DKK 1 at general meetings. As each Share has a nominal value of DKK 20, each Share confers 20 votes. Shareholders who have acquired Shares by transfer are not entitled to exercise voting rights in respect of such Shares, unless the Shares have been entered in the Company's register of shareholders, or unless the Shareholder has applied for registration of and substantiated his acquisition prior to the notice convening the general meeting.

Rights on liquidation
In the event of a liquidation of the Company, the Shareholders are entitled to participate in the distribution of net assets in proportion to their nominal shareholdings after payment of the Company's creditors.

Preemptive rights
According to Article 5 of the Articles of Association of the Company, the Board of Directors is authorised to increase the Company's share capital in one or more issues for a total nominal sum of up to DKK 60,000,000 (3,000,000 Shares of DKK 20). If the share capital is increased by cash payment at a subscription price lower than the value of the Shares issued, the Existing Shareholders are entitled to a preemptive right in respect of the amount of capital increase in proportion to their shareholdings. If the share capital is increased by cash payments at a subscription price at or above market price or in other ways, such as by conversion of debt or payment of a contribution in kind, the Board of Directors may decide that the Existing Shareholders shall not have preemptive rights.

If the general meeting of the Company otherwise resolves to increase the share capital, Section 33 of the Danish Public Companies Act will apply. According to this provision, shareholders generally have a preemptive right if the share capital of a company is increased by cash payment. However, the preemptive right may be derogated from by a majority comprising at least two-thirds of the votes cast and the represented share capital at the general meeting.

Upon completion of the Offering, the Board of Directors intends to convene an extraordinary general meeting for the purpose of obtaning a new authorisation to increase the share capital of the Company.

Other rights
None of the Shares carry any redemption or conversion rights or any other special rights.

4.f. Resolutions, authorisations and approvals to proceed with the Offering

Board meeting approving the capital increase
The Offered Shares will be issued in accordance with and under an authorisation granted by the Shareholders and recorded in Article 5 of the Articles of Association which authorises the Board of Directors to issue up to 3,000,000 Shares of DKK 20 each.

Pursuant to this authority, the Board of Directors passed a resolution on 31 October 2007 to increase the Company's share capital. The maximum capital increase is DKK 55,311,860 nominal value (2,765,593 Offered Shares of DKK 20 each). The capital increase will be effected with preemptive rights to the Existing Shareholders at the ratio of 2:9. Nine (9) Preemptive Rights confer the right to subscribe for one (1) Offered Share with a nominal value of DKK 20 at the Offer Price of DKK 280.

4.g. Allocation date for Preemptive Rights and issue date of Offered Shares

Date set for allocation of Preemptive Rights
On Friday, 9 November 2007 at 12.30 p.m. CET, any person who is registered with VP Securities Services as a Shareholder of the Company will be allocated Preemptive Rights. Shares traded after Tuesday, 6 November 2007 will be traded ex Preemptive Rights.

Date set for issue of Offered Shares
Subscription for the Offered Shares may be made from Monday, 12 November 2007 at 9.00 a.m. CET to Friday, 23 November 2007 at 5.00 p.m. CET. Accordingly, during this period the Offered Shares will be allocated through VP Securities Services by exercise of Preemptive Rights. The Offered Shares are expected to be issued by the Company and the capital increase to be registered with the Danish Commerce and Companies Agency on Tuesday, 27 November 2007. The Offering may be

withdrawn and cancelled by the Company until the capital increase relating to the Offered Shares has been registered with the Danish Commerce and Companies Agency. See "III.5.f. Withdrawal of the Offering". Listing of and trading in the Offered Shares under a temporary securities code is expected to occur on Wednesday, 28 November 2007.

4.h. Negotiability and transferability of Shares and Offered Shares

All Shares including the Offered Shares are freely transferable and negotiable under Danish law and no restrictions apply to the transferability of the Shares and the Offered Shares.

The Company's Articles of Assocation do not contain any provisions on the conversion of Shares into other financial instruments.

4.i. Danish regulations governing mandatory tender offers, redemption of shares and shareholder disclosure

Mandatory tender offer

Chapter 8 of the Danish Securities Trading Act and the executive order issued pursuant thereto outline applicable regulation concerning mandatory tender offers. If a shareholding is transferred, directly or indirectly, in a company with one of several share classes listed on a stock exchange, the transferee shall give all shareholders of the company the option to dispose of their shares on identical terms if the result of such transfer is that the transferee:

- will hold the majority of voting rights in the company;
- becomes entitled to appoint or dismiss a majority of the members of the company's board of directors;
- obtains the right to exercise a controlling influence over the company based on the articles of association or otherwise in agreement with the company;
- according to agreement with other shareholders, will control the majority of voting rights in the company; or
- will be able to exercise a controlling influence over the company and will hold more than one-third of the voting rights.

Exemptions from the mandatory tender offer rules may be granted under certain circumstances by the Danish Financial Supervisory Authority.

Compulsory redemption of shares (squeeze-out)

According to Section 20b of the Danish Public Companies Act, shares in a company may be redeemed by a shareholder holding more than nine-tenths of the shares and the corresponding voting rights in a company. Such redemption may be effected by the majority shareholder together with the board of directors in a joint decision. A minority shareholder may similarly require a majority shareholder holding more than nine-tenths of the shares to redeem the minority shareholder's shares.

Further, according to Section 20e of the Danish Public Companies Act, shares in a company may be redeemed by an offeror who has made a public tender offer, see Section 31(1) of the Danish Securities Trading Act, if the offer has resulted in the offeror holding more than nine-tenths of the shares and the corresponding voting rights in the company. The redemption does not require the consent of the board of directors of the company. Likewise, a minority shareholder may demand to have his shares redeemed by such majority shareholder.

Finally, there may be circumstances under which a majority shareholder may be allowed to redeem the minority shareholders on the basis of a provision in the articles of association of a company to the effect that minority shareholders are required to have their shares redeemed at the request of the majority shareholder. Such provision must be adopted by at least nine-tenths of the votes cast and of the voting share capital represented at the general meeting. See Section 79(2)(iii) of the Danish Public Companies Act. No such provision exists in the Articles of Association as of the Offering Circular Date.

Obligation to disclose shareholder ownership
According to Section 29 of the Danish Securities Trading Act, a shareholder who holds shares in a company with shares listed on or admitted to trading on a stock exchange must as soon as possible notify the company and the Danish Finacial Supervisory Authorithy of the shareholdings in the company in the cases referred to below.

Notifications must be submitted when: (1) the voting rights conferred on the shares represents no less than 5 per cent of the voting rights, or the nominal value of the shares accounts for no less than 5 per cent of the share capital or (2) there has been a change of a holding already notified such that thresholds of 5, 10, 15, 20, 25, 50 or 90 per cent and thresholds of 1/3 or 2/3 of the voting rights or nominal value of the share capital are reached or are no longer held or the result of the change is that the threshold amount stated in (1) above is no longer held.

When the company has received a notification, it must publish the content of the notification as soon as possible.

4.j. Public tender offers made by third parties for the Shares of the Company during the previous or current financial year

No tender offer from a third party has been launched for the Shares during the previous or current financial year.

4.k. Taxation

Introduction
The following is a summary of the principal Danish tax considerations relating to the acquisition, ownership, and disposal of Shares by investors tax resident in Denmark and investors not resident in Denmark for tax purposes.

The summary does not purport to provide a comprehensive description of all the tax considerations that may be relevant to the acquisition, ownership, or disposal of Shares.

Investors should consult their own tax advisers in order to clarify the tax consequences, which acquiring, owning, or disposing of Shares will have for them in the light of their particular circumstances, including the effect of any state, local, national or international tax laws, including the tax laws in jurisdictions other than Denmark.

The summary does not include a description of the tax consequences to professional investors (share income taxed as business income), pension funds or other investors subject to special taxation. The summary is based on the laws, regulations, court rulings and decisions in effect in Denmark as of the Offering Circular Date, all of which are subject to change, in some instances retroactively.

Taxation of investors not resident in Denmark
Taxation of dividends
Under Danish law, dividends paid in respect of shares are generally subject to Danish withholding tax at the rate of 28 per cent.

However under Danish rules, a foreign company which owns at least 15 per cent of the shares in the Danish distributing company for an uninterrupted period of one year during which the dividend is distributed is not subject to Danish withholding tax on dividends received from the Danish company, provided that Denmark must grant relief or reduction from withholding tax on dividends in accordance with either the Parent-Subsidiary Directive (EC-Directive 90/435/ECC) or in accordance with a tax treaty with the country in which the receiving company is resident. The 15 per cent ownership requirement will be reduced to 10 per cent for 2009 and later years.

The withholding tax rate of 28 per cent may be reduced in accordance with a tax treaty. Hence non-resident shareholders may be eligible for a refund of a part of the withholding tax if withholding taxes of 28 per cent have been applied to the dividend distribution. Eligible shareholders who comply with certain certification procedures may claim a partial refund of the with-

holding tax from the Danish tax authorities, which will reduce the effective Danish withholding tax rate, normally to 15 per cent. The holder's local tax authorities must certify the claim for a refund on special forms prepared by the Danish tax authorities, and then submit the claim to the Danish tax authorities.

Denmark has concluded double taxation treaties with approximately 80 countries, including Switzerland, Norway, Japan, Australia, the United States, certain countries in Africa, Latin America, the Middle East, the Far East and all members of the European Union.

The general withholding tax rate of 28 per cent also applies to foreign individuals receiving dividend distributions from a Danish company. If the country in which the receiving individual is resident has a tax treaty with Denmark which limits the withholding tax rate below 28 per cent, the individual is eligible to receive a refund of part of the withholding tax as described above.

A separate regime for the reduction of withholding tax to the applicable treaty rate is available to individuals tax resident in the United States, Canada, Germany, the Netherlands, Belgium, Luxembourg, Norway, Sweden, Ireland, Switzerland, Greece and the United Kingdom. In order to qualify for this regime, an eligible holder of shares must deposit his shares with a Danish bank, and the shareholding must be registered and administered through VP Securities Services. In addition, such shareholders must provide documentation from the relevant foreign tax authority as to the shareholders' tax residence and eligibility under the relevant treaty. A special form prepared by the Danish Tax Authorities must be used. The shareholder can agree with the relevant custodian bank that the bank procures the relevant form.

Shareholders not tax resident in Denmark are not subject to additional Danish taxation in respect of dividends received on shares in Denmark, normally irrespective of whether they hold such shares in connection with a trade or business conducted from a permanent establishment in Denmark.

Distribution of additional shares in connection with an increase of the share capital made as part of a pro rata distribution to all shareholders of a company (bonus shares as well as the allocation of the Preemptive Rights) will generally not be subject to Danish tax.

Capital gains tax
A shareholder not tax resident in Denmark will generally not be subject to Danish tax on any gain realised on the sale or other disposal of shares, normally irrespective of whether such person holds the shares in connection with a trade or business conducted from a permanent establishment in Denmark.

Taxation of investors tax resident in Denmark
Taxation of dividends – individuals
Dividends paid to individuals are taxed as share income. In the income year 2007, share income is taxed at the rate of 28 per cent for the first DKK 45,500 and at the rate of 43 per cent for share income exceeding DKK 45,500 (for married couples DKK 91,000 in total). Accordingly, provided that the amount of dividends received together with other share income does not exceed DKK 45,500 (for married couples DKK 91,000 in total), individuals are not subject to any taxation other than the 28 per cent withheld.

The above threshold amounts are for the income year 2007 and will be subject to adjustment annually.

Starting from the income year 2008, a new maximum rate of 45 per cent for taxing individuals' share income is introduced in addition to the existing 28 per cent and 43 per cent rates. The new rate will only apply to share income exceeding DKK 102,600 (for married couples DKK 205,200) and there will be transition rules for undistributed profits. Thus, from the income year 2008 share income is taxed at the rate of 28 per cent of the first DKK 46,700, at a rate of 43 per cent for share income exceeding DKK 46,700, but not exceeding DKK 102,600 and at a rate of 45 per cent for share income exceeding DKK 102,600.

Dividends paid to investors resident in Denmark for tax purposes are generally subject to a withholding tax of 28 per cent.

Investment of pension savings

Individuals who invest pension savings must pay pension yield tax at a fixed rate of 15 per cent of the total net return on their pension investments, including dividends. Pension yield tax is generally withheld by the pension fund and does not affect the individual's income tax return.

Taxation of dividends – companies

A company which owns at least 15 per cent of the shares in a Danish company is not liable to tax on dividend received, provided that the shares are held for a period of at least one year during which the dividend is declared.

The ownership requirement will be reduced to 10 per cent for 2009 and later years.

A company that does not meet the conditions stated above is liable to tax on 66 per cent of the dividend received. As the Danish corporate tax rate is 25 per cent, this is equal to an effective tax rate of 16.5 per cent.

Capital gains tax – individuals

The rules on taxation of individuals have changed with effect from 1 January 2006. Special transition rules apply to the taxation of shares which are sold on 1 January 2006 or later and were acquired on or before 31 December 2005. Such rules are not described in detail herein.

Gains from the sale of shares acquired after 1 January 2006 are taxed as share income at the rate of 28 per cent for the first DKK 45,500 and at the rate of 43 per cent for income exceeding DKK 45,500 (for married couples DKK 91,000). The amounts of DKK 45,500 and DKK 91,000 include all share income derived by the individual or married couple, respectively. As noted above a new maximum rate of 45 per cent for taxing individuals' share income is introduced in addition to the existing 28 per cent and 43 per cent rates with effect from the income year 2008.

The above threshold amounts are for the income year 2007 and will be subject to adjustment annually.

Losses on listed shares may be offset against gains and dividends deriving from listed shares. Any residual loss may be offset against gains and dividends deriving from listed shares owned by a cohabiting spouse under similar rules. Any unutilised losses may be carried forward for set-off against future years' gains and dividends deriving from listed shares.

Determination of gains/losses: If shares have been bought on several occasions, the purchase price in the event of a part sale is made up according to an average purchase price (the average method).

Investment of pension funds

Gains on shares acquired for pension funds are subject to a 15 per cent pension yield tax levied annually on a mark-to-market basis, made up at the market value on the balance sheet date, i.e., the difference between the value of the shares at the end of the income year and its beginning.

Allocated preemptive rights

If a preemptive right is sold, the sales price is taxable as share income. The preemptive right will be considered to have been acquired for DKK 0, so the entire sales price will be taxed as share income.

Capital gains tax – companies

Shares held for less than three years

Gains realised by a company on shares held for less than three years are taxed at a rate of 25 per cent. Losses exceeding tax-exempt dividends received on the shares in question during the period of ownership can be offset against gains from the sale of other shares held for less than three years and can be carried forward for set-off without any time restrictions.

Shares held for three years or more

Gains realised by a company from the sale of shares held for three years or more are tax exempt, provided that the company is not a professional stock trading company. Losses on such shares are not deductible and cannot be offset against any capital gains.

Determination of period of ownership

If the shares have been bought on several occasions, the shares acquired first are deemed to be sold first ("the first-in-first-out principle").

Determination of gains/losses

If shares have been bought on several occasions, the purchase price in the event of a part sale is made up according to an average purchase price (the average method).

Preemptive rights granted free of charge (i.e., allocated preemptive rights)

Allocated preemptive rights, which entitle holders to subscribe shares at a price below market price, will be deemed to have been acquired at the same time as the underlying shares. Allocated preemptive rights will be deemed to have been acquired at DKK 0. Upon the sale of allocated preemptive rights, the sales price is taxed at the rate of 25 per cent if the underlying shares have been held for less than three years. If the underlying shares have been held for three years or more, the sales price is not subject to taxation, provided that the company is not itself in the business of trading shares.

Share transfer tax

There is no Danish share transfer tax.

5. Terms and conditions of the Offering

5.a. Terms of the Offering, subscription ratio and allocation of Preemptive Rights

Existing Shareholders will be entitled to and allocated two (2) Preemptive Rights for each Existing Share with a nominal value of DKK 20 each held at the Allocation Time.

The Offering is not underwritten.

Nine (9) Preemptive Rights will entitle the holder to subscribe for one (1) Offered Share. Accordingly, the holder will have the right, upon payment of the Offer Price, to subscribe for one (1) Offered Share for every nine (9) Preemptive Rights. No fractional Offered Shares will be issued.

On Friday, 9 November 2007 at 12.30 p.m. CET, anyone who is registered with VP Securities Services as a Shareholder of the Company will be allocated Preemptive Rights.

Shares traded after Tuesday, 6 November 2007 will be traded ex Preemptive Rights.

The Preemptive Rights and the Offered Shares are delivered by allocation to accounts through the book-entry facilities of VP Securities Services.

The Offered Shares will be registered under the temporary securities code ISIN DK0060098325. The Offered Shares will not be listed on the OMX Nordic Exchange Copenhagen until registration of the capital increase has taken place with the Danish Commerce and Companies Agency. The listing of and commencement of trading in the Offered Shares under the temporary securities code on the OMX Nordic Exchange Copenhagen is expected to take place on Wednesday, 28 November 2007. The temporary securities code is expected to be merged with the permanent securities code for the Existing Shares (ISIN code DK0010224666) as soon as possible following the registration of the capital increase with the Danish Commerce and Companies Agency. The merger of the securities codes is expected to take place on Thursday, 29 November 2007. See "Risk factors – Risks relating to the Offering".

Upon listing of the Offered Shares, the Offered Shares have been accepted for clearance through Euroclear and Clearstream.

5.b. Offering and proceeds

The Offering comprises a maximum of 2,765,593 Offered Shares with a nominal value of DKK 20 each.

The gross proceeds of the Offering will total DKK 774 million (EUR 104 million) (estimated net proceeds of DKK 732 million (EUR 98 million)), if the maximum number of Offered Shares is subscribed.

5.c. Completion of the Offering

The Offering will only be completed if and when the Offered Share(s) subscribed are issued by the Company and registered in the Danish Commerce and Companies Agency which is expected to take place on Tuesday, 27 November 2007.

An announcement concerning the results of the Offering is expected to be made on Tuesday, 27 November 2007. See "III.5.f. Withdrawal of the Offering".

5.d. Subscription Period

The Subscription Period for the Offered Shares commences on Monday, 12 November 2007 at 9.00 a.m. CET and closes on Friday, 23 November 2007 at 5.00 p.m. CET.

See "III.5.l. Procedure for exercise of and dealings in Preemptive Rights and treatment of Preemptive Rights" below for a description of the procedure of exercise and subscription.

5.e. Expected timetable of principal events

Last day of trading of Existing Shares cum Preemptive Rights:	Tuesday, 6 November 2007
First day of trading of Existing Shares ex Preemptive Rights:	Wednesday, 7 November 2007
Trading of Preemptive Rights commences on the OMX Nordic Exchange Copenhagen:	Wednesday, 7 November 2007
Allocation Time:	Friday, 9 November 2007 at 12.30 p.m. CET through the computer system of VP Securities Services
Subscription Period begins:	Monday, 12 November 2007 (the day after the Allocation Time)
Trading in Preemptive Rights ends:	Tuesday, 20 November 2007 at 5.00 p.m. CET
Subscription Period ends:	Friday, 23 November 2007 at 5.00 p.m. CET
Publication of the results of the Offering:	Not later than two Banking Days after the end the Subscription Period (expected to be on Tuesday, 27 November 2007
Completion of the Offering:	The Offering will only be completed if and when the Offered Share(s) subscribed are issued, and the capital increase is registered with the Danish Commerce and Companies Agency, which is expected to take place on Tuesday, 27 November 2007.
Listing of and trading in Offered Shares under temporary securities code expected to commence:	Wednesday, 28 November 2007
Third quarter 2007 report:	Wednesday, 28 November 2007
Merger of temporary securities code with permanent securities code:	Thursday, 29 November 2007

5.f. Withdrawal of the Offering

The completion of the Offering is subject to no events occurring before Tuesday, 6 November 2007, the last Banking Day before dealings in Preemptive Rights begin, which in the opinion of the Company or the Joint Global Coordinators would make it inadviseable to proceed with the Offering.

Furthermore, the Offering may be withdrawn in the event that certain exceptional and unpredictable circumstances occur in the period from commencement of trading in Preemptive Rights until registration of the capital increase relating to the Offered Shares has taken place with the Danish Commerce and Companies Agency.

Any withdrawal of the Offering will be announced to the OMX Nordic Exchange Copenhagen and a notice will be inserted in the daily newspapers in which the Offering was advertised.

If the Offering is not completed, any exercise of Preemptive Rights that has already taken place will automatically be cancelled, the subscription price will be refunded (less any brokerage fees), all Preemptive Rights will be null and void, and no Offered Shares will be issued. However, trades of Preemptive Rights executed during the trading period for the Preemptive Rights will not be affected. As a result, investors who have acquired Preemptive Rights will incur a loss corresponding to the purchase price of the Preemptive Rights. If the Offering is not completed, the Offered Shares will not be issued and investors who have acquired Offered Shares in an off-market transaction risk losing their investment if they are not successful in reclaiming the purchase price from the seller of such Offered Shares.

5.g. Reduction of the subscription

Not applicable.

5.h. Minimum and/or maximum subscription amounts

The minimum number of Offered Shares that a holder of Preemptive Rights may subscribe will be one (1) Offered Share, requiring the exercise of nine (9) Preemptive Rights and the payment of the Offer Price per Offered Share of DKK 280.

There is no maximum number of Offered Shares that a holder of Preemptive Rights may subscribe, however, the number is limited to the number of Preemptive Rights held at the end of the period for trading in Preemptive Rights.

5.i. Revocation of subscription orders

Instructions to exercise Preemptive Rights are irrevocable.

5.j. Payment

Upon exercise of the Preemptive Rights, the holder must pay DKK 280 per Offered Share for which he or she subscribes.

Payment for the Offered Shares shall be made in Danish kroner at the time of subscription, however, not later than Friday, 23 November 2007 at 5.00 p.m. CET, against registration of the Offered Shares in the transferee's account with VP Securities Services. Holders of Preemptive Rights are required to adhere to the account agreement with their Danish custodian or other financial intermediaries through which they hold Shares. Financial intermediaries through whom a holder may hold Preemptive Rights may require payment by an earlier date.

5.k. Publication of the results of the Offering

The results of the Offering will be communicated in a company announcement which is expected to be released through the OMX Nordic Exchange Copenhagen not later than two Banking Days after the end of the Subscription Period (expected to be on Tuesday, 27 November 2007).

5.l. Procedure for exercise of and dealings in Preemptive Rights and treatment of Preemptive Rights

The Preemptive Rights are traded on the OMX Nordic Exchange Copenhagen.

Holders of Preemptive Rights wishing to subscribe for Offered Shares must do so through their own custodian institution, in accordance with the rules of such institution. The time until which notification of exercise may be given will depend upon the holder's agreement with, and the rules and procedures of, the relevant custodian institution or other financial intermediary

and may be earlier than the end of the Subscription Period. Once a holder has exercised his Preemptive Rights, the exercise may not be revoked or modified.

Upon payment of the Offer Price and exercise of Preemptive Rights during the Subscription Period, the Offered Shares will be allocated through VP Securities Services at the close of any Banking Day. The Offered Shares will be registered under the temporary securities code ISIN DK0060098325. The Offered Shares will not be listed on the OMX Nordic Exchange Copenhagen until registration of the capital increase has taken place with the Danish Commerce and Companies Agency. The listing and trading of the Offered Shares under the temporary securities code on the OMX Nordic Exchange Copenhagen is expected to take place on Wednesday, 28 November 2007. The temporary securities code is expected to be merged with the permanent securities code for the Existing Shares (ISIN code DK0010224666) as soon as possible following the registration of the capital increase with the Danish Commerce and Companies Agency. The merger of the securities codes is expected to take place on Thursday, 29 November 2007. After such time, the Offered Shares will be fungible with the Existing Shares.

Exercise instructions, without the required supporting documentation, sent from a person located in or postmarked in the United States or such other jurisdiction in which it would not be permissible to subscribe for the Offered Shares will be deemed to be invalid, and no Offered Shares will be credited to institutions with addresses inside the United States or such other jurisdictions in which it would not be permissible to subscribe for the Offered Shares without the required supporting documentation. The Company and the Joint Global Coordinators reserve the right to reject any exercise of Preemptive Rights in the name of any person who, without the required supporting documentation (i) provides for acceptance or delivery of Offered Shares an address in the United States or such other jurisdiction in which it would not be permissible to subscribe for the Offered Shares, (ii) is unable to represent or warrant that such person is not in the United States or such other jurisdiction in which it would not be permissible to subscribe for the Offered Shares, (iii) is acting for persons in the United States or such other jurisdiction in which it would not be permissible to subscribe for the Offered Shares other than on a discretionary basis, or (iv) appears to the Company or its agents to have executed its exercise instructions or certifications in, or dispatched them from, the United States or such other jurisdiction in which it would not be permissible to make an offer of the Offered Shares. See "III.5.m Jurisdictions in which the Offering will be made and restrictions applicable to the Offering".

Account holders who exercise their Preemptive Rights shall be deemed to have represented that no Preemptive Rights are being exercised by or for the account or benefit of persons located in the United States (subject to certain exceptions with respect to QIBs in accordance with procedures established by the Company in accordance with applicable law) or such other jurisdictions in which it would not be permissible to make an offer of the Offered Shares.

Any holder who exercises his Preemptive Right shall be deemed to have represented that he has complied with all applicable laws. Custodian banks exercising Preemptive Rights on behalf of beneficial holders shall be deemed to have represented that they have complied with the offering procedures set forth in this Offering Circular and in the instruction letter sent to them by the Company in connection with the Offering. Neither the Preemptive Rights nor the Offered Shares have been registered under the Securities Act.

Upon expiry of the Subscription Period, the Preemptive Rights will lapse without value and the holders will not be entitled to any compensation. Due to the subscription ratio of 2:9 and the number of Existing Shares in the Company prior to the Offering (12,445,171 Shares), there will be an excess of five (5) Preemptive Rights even if all the Offered Shares are subscribed.

Holders of Preemptive Rights who do not wish to exercise their Preemptive Rights to subscribe for Offered Shares may transfer their Preemptive Rights, and the transferee may use them to subscribe for Offered Shares. Holders wishing to sell their rights should instruct their custodian banks accordingly.

The Joint Global Coordinators may, from time to time, exercise, acquire and sell Preemptive Rights and acquire, sell or subscribe for Offered Shares.

5.m. Jurisdictions in which the Offering will be made and restrictions applicable to the Offering.

Where the Offering will be made

The Offering consists of a public offering in Denmark and the United Kingdom and a private placement in other jurisdictions.

Restrictions applicable to the Offering

General restrictions

The distribution of this Offering Circular and the Offering may, in certain jurisdictions, be restricted by law, and this Offering Circular may not be used for the purpose of, or in connection with, any offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. This Offering Circular does not constitute an offer of or an invitation to exercise or purchase any Preemptive Rights or subscribe for Offered Shares in any jurisdiction in which such offer or invitation would be unlawful. The Company and the Joint Global Coordinators require persons into whose possession this Offering Circular comes to inform themselves of and observe all such restrictions. Neither the Company nor the Joint Global Coordinators accept any legal responsibility for any violation by any person, whether or not a prospective purchaser of Offered Shares, of any such restrictions.

Restrictions on offers and sales in the United States of America

The Preemptive Rights and the Offered Shares have not been approved by the US Securities and Exchange Commission, or with the securities or other regulatory authority of any state or other jurisdiction in the United States nor have any of such regulatory authorities passed upon or endorsed the merits of the Offering or the accuracy or adequacy of this Offering Circular. Any representation to the contrary is a criminal offence in the United States.

The Preemptive Rights and the Offered Shares have not been and will not be registered under the US Securities Act of 1933, as amended (the "Securities Act"), or with any securities regulatory authority of any state or other jurisdiction in the United States. Any person in the United States subscribing for Offered Shares must execute and deliver an investor letter satisfactory to the Company and the Joint Global Coordinators to the effect that such person is either (i) a "Qualified Institutional Buyer" ("QIB") within the meaning of Rule 144A under the Securities Act or (ii) subscribing for the Offered Shares in an offshore transaction as defined by Regulation S of the Securities Act.

Any person who wishes to exercise Preemptive Rights and subscribe for Offered Shares will be deemed to have declared, warranted and agreed, by accepting delivery of this Offering Circular and delivery of Preemptive Rights or Offered Shares, either that he is exercising the Preemptive Rights and subscribing for the Offered Shares in an offshore transaction as defined by Regulation S of the Securities Act, or that he is exercising the Preemptive Rights and subscribing for the Offered Shares in his capacity as a QIB and that he will not re-sell, pledge or otherwise transfer the Preemptive Rights or the Offered Shares except in an offshore transaction meeting the requirements of Regulation S of the Securities Act, or pursuant to an effective registration statement or to an exemption from registration.

In addition, until the expiration of the 40-day period beginning on the Offering Circular Date, an offer to sell or a sale of the Preemptive Rights and the Offered Shares within the United States by a broker/dealer (whether or not it is participating in the Offering) may violate the registration requirements of the Securities Act if such offer to sell or sale is made otherwise than pursuant to the foregoing.

Restrictions on sales in the European Economic Area

In relation to each Member of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), no offer to subscribe for Offered Shares is being made to the public in any Relevant Member State prior to the publication of a prospectus in relation to the Offered Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect

from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, make an offer to subscribe for Offered Shares to the public in that Relevant Member State at any time:

(a) to legal entities which are authorised or regulated to operate in the financial markets and non-authorised or non-regulated entities, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which fulfils at least two of the following criteria (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than EUR 43,000,000 and (3) an annual net turnover of more than EUR 50,000,000, as shown in its last annual or consolidated accounts;

(c) to fewer than 100 natural or legal persons (other than "qualified investors" as defined in the Prospectus Directive), subject to the prior written consent of the Company and the Joint Global Coordinators; or

(d) in any other circumstances which do not require the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to subscribe for Offered Shares to the public" in relation to any Offered Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offering and the Offered Shares so as to enable an investor to decide whether to subscribe for the Offered Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State. The expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State. The Company has chosen to passport the Offering Circular for use in the United Kingdom in accordance with the Prospectus Directive.

5.n. Intentions of major Shareholders of the Company, members of the Executive Management or the Board of Directors to participate in the Offering

The Company has not received any indications from its major Shareholders, the members of the Executive Management or the members of the Board of Directors as to whether they expect to participate in the Offering or not.

5.o. Plan of distribution

Not applicable.

5.p. Pre-allotment information

There is no pre-allotment of Offered Shares.

5.q. Over-allotment information

There is no over-allotment of Offered Shares.

5.r. Offer Price

The Offered Shares are offered at DKK 280 per Share with a nominal value of DKK 20 each, free of brokerage fees.

5.s. Price disparity

No persons have been granted the right to subscribe Offered Shares at a preferential price and consequently there is no price disparity.

5.t. Payment intermediaries

Euroclear Bank S.A./N.V.
1 Boulevard de Roi Albert II
B – 1210 Brussels
Belgium

Clearstream Banking S.A.
42 Avenue JF Kennedy
L-1855 Luxembourg
Luxembourg

5.u. Placing and underwriting

Joint Global Coordinators

The Joint Global Coordinators of the Offering are:

Carnegie Bank A/S
Ovengaden Neden Vandet 9B
DK-1414 Copenhagen K, Denmark
CVR no. 79437417

Danske Markets (division of Danske Bank A/S)
Holmens Kanal 2-12
DK-1092 Copenhagen K, Denmark
CVR no. 61126228

The Joint Global Coordinators and their affiliates are engaged in banking, securities brokerage, trading and dealing, investment banking, investment management and other financial and advisory services, and may from time to time be a lender or provide other services to or trade or take a position, as principal or agent, in securities issued by the Company, its affiliates or other parties involved in or related to the Offering.

Rights issue agreement

In connection with the Offering the Company and the Joint Global Coordinators have entered into a rights issue agreement. The Company has given certain representations and warranties to the Joint Global Coordinators. The Company has furthermore undertaken to indemnify the Joint Global Coordinators for certain matters related to the Offering.

In the period until registration of the capital increase with the Danish Commerce and Companies Agency, the Joint Global Coordinators are entitled, in certain exceptional and unpredictable circumstances (including force majeure), to terminate the rights issue agreement and, in such case, the Company shall withdraw the Offering. In the event that such circumstances occur before registration of the capital increase with the Danish Commerce and Companies Agency, and the Joint Global Coordinators decide to terminate the rights issue agreement, the Preemptive Rights and/or Offered Shares will become null and void causing Shareholders and investors who may hold or may have acquired Preemptive Rights and/or Offered Shares to incur a loss. See “III.5.f Withdrawal of the Offering”.

The Offering is not underwritten.

6. Admission to trading arrangements

The Preemptive Rights will be listed on the OMX Nordic Exchange Copenhagen and the trading period of the Preemptive Rights will commence on Wednesday, 7 November 2007 at 9.00 a.m. CET and will close on Tuesday 20 November 2007, at 5.00 p.m. CET.

After registration of the capital increase relating to the Offered Shares with the Danish Commerce and Companies Agency, listing of and trading in Offered Shares under temporary securities code is expected to commence on Wednesday, 28 November 2007. See "III.5.a. Terms of the Offering, subscription ratio and allocation of Preemptive Rights".

The Shares are listed on the OMX Nordic Exchange Copenhagen under the permanent securities code ISIN DK0010224666.

6.a. Disclosure of market maker agreement

The Company has no market maker agreement.

6.b. Stabilisation

In connection with the Offering, the Joint Global Coordinators may from the commencement of the Offering and until 30 days after the first day of listing of the Offered Shares effect transactions which stabilise or maintain the market price of the Preemptive Rights (stabilising actions regarding the Preemptive Rights will only take place during the trading period for Preemptive Rights), the Offered Shares and the Existing Shares at levels above those which might otherwise prevail in the open market. The Joint Global Coordinators are, however, not obliged to effect any such transactions. Such transactions, if commenced, may be discontinued at any time. The Joint Global Coordinators will act as stabilisations agents.

7. Selling security holders and lock-up agreements

7.a. Shareholders that have indicated that they expect to sell their Shares or Preemptive Rights

The Company has not received any indications from its Shareholders that they intend to sell their Shares or Preemptive Rights.

7.b. Lock-up agreements in connection with the Offering

The Company, its Board of Directors and the Executive Management have entered into lock-up agreements with the Joint Global Coordinators:

Lock-up agreements with the Company

The Company has undertaken that until 360 days counted from the completion of the Offering (expected to take place on Tuesday, 27 November 2007) it will not issue, sell, offer for sale, enter into any agreement regarding the sale of, pledge or in any other way directly or indirectly transfer Shares in the Company or other securities exchangeable into Shares in the Company or warrants or other options to acquire Shares in the Company (together "Company Securities") or announce the intention to do so without the prior written consent of the Joint Global Coordinators. Such consent is not to be unreasonably withheld or delayed, if the transaction is motivated by reasonable business considerations attributable to the Company.

The above-mentioned obligation of the Company shall not apply to (i) transfers or issues of Company Securities to the Company's employees and its subsidiaries' employees, members of the Executive Management or Board of Directors in relation to the exercise by such persons of their rights in accordance with the existing or future employee shareholding and warrant programmes, (ii) the transfer or issue of Company Securities to third parties as consideration in the context of a commercial agreement, provided however that if such consideration represents a number of Shares equal or superior to 3 per cent of the post Offering share capital of the Company, the recipient(s) of such Company Securities shall first undertake to be bound for the remaining duration of this lock-up provision by a substantially similar lock-up provision and (iii) the transfer or issue of Shares to the selling shareholders of Carlsson Research or the issue and subsequent placement of Shares with a view to effecting cash payment to the selling shareholders of Carlsson Research in the context of the acquisition of Carlsson Research.

Lock-up agreement with the Board of Directors and Executive Management

The members of the Board of Directors and of the Executive Management have each agreed for the period starting on the Offering Circular Date and ending 90 days counted from the completion of the Offering (expected to take place on Tuesday, 27 November 2007) not to sell, offer for sale, enter into any agreement regarding the sale of, pledge or in any other way directly or indirectly transfer Shares in the Company or other securities exchangeable into Shares in the Company or warrants or other options to acquire Shares in the Company nor to announce the intention to do any of the foregoing without the prior written consent of the Joint Global Coordinators, such consent is not to be unreasonably withheld or delayed. This obligation does not apply to the acquisition, subscription or disposal of Shares in relation to the exercise by such persons of their preemptive rights in accordance with this Offering or with regard to existing or future employee share and warrant programmes nor with regard to the Preemptive Rights and Offered Shares, nor with regard to any Shares acquired after the Offering Circular Date.

8. Expenses

Expenses related to the Offering

The gross proceeds of the Offering will total DKK 774 million (EUR 104 million) (estimated net proceeds of DKK 732 million (EUR 98 million)), if the maximum number of Offered Shares is subscribed.

Assuming that all the Offered Shares are subscribed, the estimated expenses payable by the Company in connection with the Offering are as stated below.

Table 2. Expenses

	Maximum Offering	
(in millions)	**DKK**	**EUR**
Fees to financial intermediaries	29.0	3.9
Fees to accountants, legal advisers, etc.	9.4	1.3
Printing	0.4	0.1
Advertising	0.1	0.0
Subscription commission to custodian institutions(1)	1.9	0.3
Other expenses	1.7	0.2
Total	**42.6**	**5.7**

(1) 0.25 per cent will be paid by way of subscription commission to custodian institutions upon subscription of Offered Shares.

9. Dilution

After giving effect to the issue of the maximum number of Offered Shares (2,765,593 Offered Shares) at the Offer Price of DKK 280 per Share, and deducting commissions and estimated expenses, the Company's pro forma equity at 30 September 2007 would have been approximately DKK 1,172.0 million (EUR 157.5 million), corresponding to a net asset value per Share of DKK 77.0 at the subscription of the maximum number of Offered Shares. The net asset value per Share is determined by dividing the total equity of NeuroSearch by the total number of Shares.

At the subscription of the maximum number of Offered Shares, the Offering represents an immediate increase in the net asset value per Share of DKK 41.7 to the Existing Shareholders and an immediate dilution in adjusted net asset value per Share of DKK 203.0 for subscribers of Offered Shares.

The following table illustrates the per Share dilution that investors in the Offered Shares will experience if all the Offered Shares are subscribed:

Table 3: Dilution

		Maximum Offering
Offer Price per Share	**DKK**	**280**
Net asset value per Share at 30 September 2007	DKK	35.4
Increase in net asset value per Share attributable to the Offering	DKK	41.7
Net asset value per Share after the Offering	DKK	77.0
Dilution per Share	**DKK**	**203.0**
Dilution per Share, percentage		**72.5**

Dilution is determined by subtracting the net asset value per Share after the Offering from the Offer Price per Share.

Further dilution will occur upon future exercise of outstanding warrants. In that connection, it should be mentioned that, upon completion of the Offering, the number of warrants will increase and the exercise price thereof will decline as the Offer Price is lower than the market price of the Shares of the Company. See "I.18. Additional information".

Additional dilution will occur if the Company chooses to make any future milestone payments to the selling shareholders of Carlsson Research through issuing additional Shares. See "I.19.a. Agreement to acquire the share capital of Carlsson Research (now NeuroSearch Sweden)".

10. Additional information

10.a. Advisers

- Danish legal counsel to the Company: Kromann Reumert, Sundkrogsgade 5, DK-2100 Copenhagen Ø, Denmark
- Independent auditor to the Company: PricewaterhouseCoopers, Strandvejen 44, DK-2900 Hellerup, Denmark
- Joint Global Coordinators:
  Carnegie Bank A/S, Ovengaden Neden Vandet 9B, DK-1414 Copenhagen K, Denmark
  Danske Markets (division of Danske Bank A/S), Holmens Kanal 2-12, DK-1092 Copenhagen K, Denmark
- Danish legal counsel to the Joint Global Coordinators: Gorrissen Federspiel Kierkegaard, H. C. Andersens Boulevard 12, DK-1553 Copenhagen V, Denmark
- International legal counsel to the Joint Global Coordinators: Jones Day, 120 rue du Faubourg Saint Honoré, F-75008 Paris, France

10.b. Availability of the Offering Circular

Requests for copies of the Offering Circular may be addressed to:

Carnegie Bank A/S
Ovengaden Neden Vandet 9B
DK-1414 Copenhagen K
Phone: +45 32 88 02 00

Danske Bank A/S
Corporate Actions
Holmens Kanal 2-12
DK-1092 Copenhagen K
Phone: +45 70 23 08 34
Email adresse: prospekter@danskebank.dk

The Offering Circular can also with certain exceptions be downloaded from the Company's website: www.neurosearch.dk.

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NEUROSEARCH A/S

Rights Issue 2007

APPENDIX

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ARTICLES OF ASSOCIATION

OF

NEUROSEARCH A/S

(CVR No. 12546106)

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NAME, REGISTERED OFFICE AND OBJECTS

Article 1

The name of the Company is **NeuroSearch A/S**.

Article 2

The registered office of the Company is situated in the municipality of Ballerup.

Article 3

The objects for which the Company is established are to carry on research, trade, manufacture and to carry on any other activities deemed to be incidental or conducive to the attainment of the above objects, primarily within the pharmaceutical industry, including both directly or indirectly through subsidiaries.

THE COMPANY'S SHARE CAPITAL

Article 4

The Company's share capital is DKK 248,903,420 say two hundred and forty-eight million nine hundred and three thousand four hundred and twenty Danish kroner divided into shares of DKK 1 and multiples thereof. The share capital has been paid up in full.

AUTHORISATION TO INCREASE THE SHARE CAPITAL

Article 5.

During the period ending on 31 December 2011, the Board of Directors shall be authorised to increase the Company's share capital in one or more issues by a total nominal amount of up to DKK 60,000,000 (3,000,000 shares of DKK 20 each).

The capital increase may be effected by cash payment or otherwise.

If the share capital is increased by cash payment at a subscription price below the market value of the shares, existing shareholders shall have pre-emption right to subscribe the amount by which the share capital is increased in proportion to their shareholdings.

If the share capital is increased by cash payment outside the scope of Article 5(3) or otherwise, including by conversion of debt or as consideration for contribution of assets other than cash, the Company's existing shareholders shall have no pre-emption rights. If the share capital is increased by means other than cash, the provisions of section 33 of the Danish Public Companies Act *(aktieselskabsloven)* shall apply, and the subscription price and the value of the shares issued, respectively, shall be determined by the Board of Directors within the framework provided by the mandatory provisions of the Danish Public Companies Act, including sections 79 and 80 thereof.

All other terms and conditions governing the subscription for shares shall be determined by the Board of Directors.

The new shares shall be negotiable instruments and shall be issued to bearer, but may be registered in the name of the holder in the Company's register of shareholders. No restrictions shall apply to the transferability of the new shares, and no shareholder shall be obliged to let his shares be redeemed in whole or in part. The shares rank for dividend as from the date fixed by the Board of Directors, however, not later than from the financial year following the capital increase.

Article 5a

During the period ending on 31 December 2008, the Board of Directors is authorised to issue warrants to some or all of the Company's and its subsidiaries' employees and board and executive management members in the absolute discretion of the Board of Directors and on the terms and conditions laid down by the Board of Directors for subscription by one or more issues for a total nominal amount of up to DKK 500,000 (25,000 shares with a nominal value of DKK 20 each) by cash payment at a price to be determined by the Board of Directors, however, not below the market price of the Company's shares on the Copenhagen Stock Exchange at the time of issuance of the warrants plus 10% p.a., and without pre-emption rights to the Company's shareholders. However, the Board of Directors may only be granted warrants for subscription of shares with a total nominal value of up to DKK 486,000.

The new shares subscribed pursuant to the warrants shall carry the same rights as the existing shares according to these Articles of Association, including that the new shares shall be issued to bearer, shall be negotiable instruments, but may be registered in the name of the holder in the Company's register of shareholders, that no shareholder shall be obliged to let his shares be redeemed, and that no restrictions shall apply to the transferability of the new shares. The new shares shall rank for dividend as from the date of subscription.

For the purpose of implementing the capital increase associated with exercise of the warrants, the Board of Directors is authorised to increase the Company's share capital during the period ending on 1 April 2013 in one or more issues by a total nominal amount of up to DKK 500,000 by cash payment at a price to be determined by the Board of Directors, however, not below the market price of the Company's shares on the Copenhagen Stock Exchange at the time of issuance of the warrants plus 10% p.a., and without pre-emption rights to the Company's existing shareholders. All other terms and conditions governing the subscription for shares shall be determined by the Board of Directors. Any new shares subscribed pursuant to the warrants shall be negotiable instruments and shall be issued to bearer, but may be registered in the name of the holder in the Company's register of shareholders. No restrictions shall apply to the transferability of the new shares, and no shareholder shall be obliged to let his shares be redeemed in whole or in part. The shares rank for dividend as from the time of subscription.

Article 5b.

The Board of Directors has issued warrants for subscription in one or more issues of shares with a nominal value of up to DKK 2,949,400 by cash payment at a price of DKK 262.19 per share with a nominal value of DKK 20 each. Existing shareholders shall have no pre-emption rights to the warrants.

Subscription of shares pursuant to the warrants may be effected in full or in part during the period from Monday, 26 November 2007 to Friday, 30 November 2007, from Monday, 10 March 2008 to Friday, 14 March 2008, from Monday, 8 September 2008 to Friday, 12 September 2008 and from Monday, 9 March 2009 to Friday, 13 March 2009.

Warrant holders may not transfer or pledge their warrants to any third party.

Any new shares subscribed pursuant to the warrants shall carry the same rights as the existing shares according to these Articles of Association, including that the new shares shall be negotiable instruments and shall be issued to bearer, but may be registered in the name of the holder in the Company's register of shareholders. No restrictions shall apply to the transferability of the new shares, and no shareholder shall be obliged to let his shares be redeemed in full or in part. The shares shall rank for dividend as from the date of subscription.

If, prior to the exercise of the warrants (in full), the Company adopts a resolution to introduce share classes, each share subscribed on exercise of the warrants after the adoption of such resolution shall belong to the class of shares with the best ranking.

If, prior to the exercise of the warrants, the Company adopts a resolution to increase its share capital by an issue of bonus shares, each warrant holder shall receive, on exercise of the warrants and without additional payment, such additional whole number of shares (rounded down) as equals the ratio of the Company's share capital prior to the capital increase to the nominal amount by which the bonus share issue increases the share capital, multiplied by the number of warrant shares, so as to position the warrant holders as if the warrant had been exercised immediately prior to the bonus share issue.

If, prior to the exercise of the warrants (in full), a resolution is adopted to increase the share capital or issue warrants, convertible debt instruments or the like, whereby shares may be subscribed at a price not below the market value of the shares, this shall not affect the terms and conditions for exercise of the warrants. If a resolution is adopted to increase the share capital, issue warrants, convertible debt instruments or the like, except to employees or board members of the Company or its subsidiaries, whereby shares may be subscribed at a price below the market price of the shares, the number of shares that may be subscribed pursuant to the warrants and the price of such shares shall be adjusted so as position the warrant holders, both in relation to their interest in the Company (rounded down) and in relation to the exercise price, as if the warrants had been exercised immediately prior to the relevant change in the Company's capital structure. If a resolution is adopted to increase the share capital, issue warrants, convertible debt instruments or the like to employees or board members of the Company or its subsidiaries, whereby shares may be subscribed at a price below the market value of the shares, this shall not affect the terms and conditions for exercise of the warrants.

If, prior to the exercise of the warrants (in full), the Company adopts a resolution to reduce its share capital to cover a loss, the (remaining) number of shares that can be subscribed pursuant to the warrants and the price of such shares shall be adjusted so as to position the warrant holders, both in relation to their interest in the Company (rounded down) and in relation to the exercise price, as if the warrants had been exercised immediately prior to the capital reduction.

If, prior to the exercise of the warrants (in full), the Company adopts a resolution to reduce its share capital by disbursement to the shareholders, or if the Company adopts a resolution to dissolve the Company, including to merge or demerge the Company, the warrant holders shall, on exercise of the (remaining) warrants, be positioned as if the warrant had been exercised immediately prior to the relevant decision.

In the event of a sale of a majority of the shares in the Company, meaning a transfer of more than 50% of the Company's share capital to a third party (who may be a shareholder in the Company), the terms and conditions of the warrants issued shall basically not be affected. The Board of Directors may decide:

that warrant holders, who have vested but not yet exercised warrants, shall exercise such vested warrants in full and transfer the shares on the same terms and conditions as the other selling shareholders (or waive such warrants, whereby they will lapse),

that warrant holders, who have vested but not yet exercised warrants, shall retain such warrants on the terms and conditions stated in the warrants,

that warrant holders, who have unvested warrants, shall exercise such warrants in full and transfer the shares on the same terms and conditions as the other selling shareholders (or waive such warrants, whereby they will lapse),

that warrant holders, who have unvested warrants, shall retain such warrants on the terms and conditions stated in the warrants.

For the purpose of implementing the capital increase associated with exercise of the warrants, the Board of Directors shall be authorised to increase the Company's share capital during the period ending on 1 May 2009 in one or more issues by a total nominal amount of up to DKK 2,940,400 by cash payment at a price of DKK 262.19 per share of DKK 20 nominal value and without pre-emption rights to the Company's existing shareholders. All other terms and conditions governing the subscription for shares shall be determined by the Board of Directors.

Article 5c.

Cancelled

Article 5d.

The Board of Directors has issued warrants for subscription in one or more issues of shares with a nominal value of up to DKK 234,180 by cash payment at a price of DKK 213.51 per share with a nominal value of DKK 20 each. Existing shareholders shall have no pre-emption rights to the warrants.

During the period from 1 March 2006 to 31 October 2008, the employee's warrants will vest gradually so that 1/32 of the warrants granted will vest each month during that period.

Subscription of shares pursuant to the warrants may be effected in full or in part during the period from Monday, 24 November 2008 to Friday, 28 November 2008, from Monday, 4 May 2009 to Friday, 8 May 2009, from Monday, 16 November 2009 to Friday, 20 November 2009 and from Monday, 15 March 2010 to Friday, 19 March 2010.

Warrant holders may not transfer or pledge their warrants to any third party.

Any new shares subscribed pursuant to the warrants shall carry the same rights as the existing shares according to these Articles of Association, including that the new shares shall be negotiable instruments and shall be issued to bearer, but may be registered in the name of the holder in the Company's register of shareholders. No restrictions shall apply to the transferability of the new shares, and no shareholder shall be obliged to let his shares be redeemed in full or in part. The shares shall rank for dividend as from the date of subscription.

In connection with the grant of warrants, the Company has entered into an agreement with the recipient of the warrants about taxation of the warrants pursuant to section 7H of the Danish Tax Assessment Act.

If, prior to the exercise of the warrants (in full), the Company adopts a resolution to introduce share classes, each share subscribed on exercise of the warrants after the adoption of such resolution shall belong to the same class of shares as the existing shares.

If, prior to the exercise of the warrants, the Company adopts a resolution to increase its share capital by an issue of bonus shares, each warrant holder shall receive, on exercise of the warrants and without additional payment, such additional whole number of shares (rounded down) as equals the ratio of the Company's share capital prior to the capital

increase to the nominal amount by which the bonus share issue increases the share capital, multiplied by the number of warrant shares, so as to position the warrant holders as if the warrant had been exercised immediately prior to the bonus share issue.

If, prior to the exercise of the warrants (in full), a resolution is adopted to increase the share capital or issue warrants, convertible debt instruments or the like, whereby shares may be subscribed at a price not below the market value of the shares, this shall not affect the terms and conditions for exercise of the warrants. If the Company adopts a resolution to increase its share capital, issue warrants, convertible debt instruments or the like, except to employees or board members of the Company or its subsidiaries, whereby shares may be subscribed at a price below the market price, the number of shares that may be subscribed pursuant to the warrants and the price of such shares shall be adjusted so as to position the warrant holders, both in relation to their interest in the Company (rounded down) and in relation to the exercise price, as if the warrants had been exercised immediately prior to the relevant change in the Company's capital structure. The terms and conditions for exercise of the warrants shall not be affected if the Company adopts a resolution to increase its share capital, issue warrants, convertible debt instruments or the like to employees or board members of the Company or its subsidiaries, whereby shares may be subscribed at a price below the market price.

If, prior to the exercise of the warrants (in full), the Company adopts a resolution to reduce its share capital to cover a loss, the (remaining) number of shares that can be subscribed pursuant to the warrants and the price of such shares shall be adjusted so as to position the warrant holders, both in relation to their interest in the Company (rounded down) and in relation to the exercise price, as if the warrants had been exercised immediately prior to the capital reduction.

If, prior to the exercise of the warrants (in full), the Company adopts a resolution to reduce its share capital by disbursement to the shareholders, or if the Company adopts a resolution to dissolve the Company, including to merge or demerge the Company, the warrant holders shall, on exercise of the (remaining) warrants, be positioned as if the warrant had been exercised immediately prior to the relevant decision.

In the event of a sale of a majority of the shares in the Company, meaning a transfer of more than 50% of the Company's share capital to a third party (who may be a shareholder in the Company), the terms and conditions of the warrants issued shall basically not be affected. The Board of Directors may decide:

that warrant holders, who have vested but not yet exercised warrants, shall exercise such vested warrants in full and transfer the shares on the same terms and conditions as the other selling shareholders (or waive such warrants, whereby they will lapse),

that warrant holders, who have vested but not yet exercised warrants, shall retain such warrants on the terms and conditions stated in the warrants,

that warrant holders, who have unvested warrants, shall exercise such warrants in full and transfer the shares on the same terms and conditions as the other selling shareholders (or waive such warrants, whereby they will lapse),

that warrant holders, who have unvested warrants, shall retain such warrants on the terms and conditions stated in the warrants.

In so far as one or more of the above-mentioned provisions prevent application of section 7H of the Danish Tax Assessment Act to all warrants granted to the warrant holders, including in so far as one or more of the above-mentioned provisions are essential to when the actual exercise price is deemed to exist, the relevant provision(s) shall not be applicable.

For the purpose of exercising the warrants, the Board of Directors has resolved to implement the associated increase of the Company's share capital in one or more issues by a total nominal amount of up to DKK 234,180 by cash payment at a price of DKK 213.51 per share of DKK 20 nominal value and without pre-emption rights to the Company's existing shareholders. All other terms and conditions governing the subscription for shares shall be determined by the Board of Directors.

Article 5e.

The Board of Directors has issued warrants for subscription in one or more issues of shares with a nominal value of up to DKK 4,800,000 by cash payment at a price of DKK 402 per share with a nominal value of DKK 20 each. Existing shareholders shall have no pre-emption rights to the warrants.

Subscription of shares pursuant to the warrants may be effected in full or in part during the period from Monday, 3

May 2010 to Friday, 7 May 2010, from Monday, 30 August 2010 to Friday, 3 September 2010 and from Monday, 14 March 2011 to Friday, 18 March 2011.

Warrant holders may not transfer or pledge their warrants to any third party.

Any new shares subscribed pursuant to the warrants shall carry the same rights as the existing shares according to these Articles of Association, including that the new shares shall be negotiable instruments and shall be issued to bearer, but may be registered in the name of the holder in the Company's register of shareholders. No restrictions shall apply to the transferability of the new shares, and no shareholder shall be obliged to let his shares be redeemed in full or in part. The shares shall rank for dividend as from the date of subscription.

If, prior to the exercise of the warrants (in full), the Company adopts a resolution to introduce share classes, each share subscribed on exercise of the warrants after the adoption of such resolution shall belong to the class of shares with the best ranking.

If, prior to the exercise of the warrants, the Company adopts a resolution to increase its share capital by an issue of bonus shares, each warrant holder shall receive, on exercise of the warrants and without additional payment, such additional whole number of shares (rounded down) as equals the ratio of the Company's share capital prior to the capital increase to the nominal amount by which the bonus share issue increases the share capital, multiplied by the number of warrant shares, so as to position the warrant holders as if the warrant had been exercised immediately prior to the bonus share issue.

If, prior to the exercise of the warrants (in full), a resolution is adopted to increase the share capital or issue warrants, convertible debt instruments or the like, whereby shares may be subscribed at a price not below the market value of the shares, this shall not affect the terms and conditions for exercise of the warrants. If a resolution is adopted to increase the share capital, issue warrants, convertible debt instruments or the like, except to employees or board members of the Company or its subsidiaries, whereby shares may be subscribed at a price below the market price of the shares, the number of shares that may be subscribed pursuant to the warrants and the price of such shares shall be adjusted so as position the warrant holders, both in relation to their interest in the Company (rounded down) and in relation to the exercise price, as if the warrants had been exercised immediately prior to the relevant change in the Company's capital structure. If a resolution is adopted to increase the share capital, issue warrants, convertible debt instruments or the like to employees or board members of the Company or its subsidiaries, whereby shares may be subscribed at a price below the market value of the shares, this shall not affect the terms and conditions for exercise of the warrants.

If, prior to the exercise of the warrants (in full), the Company adopts a resolution to reduce its share capital to cover a loss, the (remaining) number of shares that can be subscribed pursuant to the warrants and the price of such shares shall be adjusted so as to position the warrant holders, both in relation to their interest in the Company (rounded down) and in relation to the exercise price, as if the warrants had been exercised immediately prior to the capital reduction.

If, prior to the exercise of the warrants (in full), the Company adopts a resolution to reduce its share capital by disbursement to the shareholders, or if the Company adopts a resolution to dissolve the Company, including to merge or demerge the Company, the warrant holders shall, on exercise of the (remaining) warrants, be positioned as if the warrant had been exercised immediately prior to the relevant decision.

In the event of a sale of a majority of the shares in the Company, meaning a transfer of more than 50% of the Company's share capital to a third party (who may be a shareholder in the Company), the terms and conditions of the warrants issued shall basically not be affected. The Board of Directors may decide:

that warrant holders, who have vested but not yet exercised warrants, shall exercise such vested warrants in full and transfer the shares on the same terms and conditions as the other selling shareholders (or waive such warrants, whereby they will lapse),

that warrant holders, who have vested but not yet exercised warrants, shall retain such warrants on the terms and conditions stated in the warrants,

that warrant holders, who have unvested warrants, shall exercise such warrants in full and transfer the shares on the same terms and conditions as the other selling shareholders (or waive such warrants, whereby they will lapse),

that warrant holders, who have unvested warrants, shall retain such warrants on the terms and conditions stated in the warrants.

In so far as one or more of the above-mentioned provisions prevent application of section 7H of the Danish Tax Assessment Act to all warrants granted to warrant holders who are employed with the Company and subject to tax liability in Denmark, including in so far as one or more of the provisions are essential to when the actual exercise price is deemed to exist, the relevant provision(s) shall not be applicable.

For the purpose of implementing the capital increase associated with the warrants, the Board of Directors has adopted a resolution to increase the Company's share capital in one or more issues by a total nominal amount of up to DKK 4,800,000 by cash payment at a price of DKK 402 per share of DKK 20 nominal value and without pre-emption rights to the Company's existing shareholders. However, the capital increase may cover a larger amount pursuant to the adjustment provisions stated above. All other terms and conditions governing the subscription for shares shall be determined by the Board of Directors.

Article 5f.

Cancelled

Article 5g.

Cancelled

Article 5h.

The Board of Directors has issued warrants for subscription in one or more issues of shares with a nominal value of up to DKK 3,078,500 by cash payment at a price of DKK 191.30 per share with a nominal value of DKK 20 each. Existing shareholders shall have no pre-emption rights to the warrants.

Subscription of shares pursuant to the warrants may be effected in full or in part during the period from Monday, 24 November 2008 to Friday, 28 November 2008, from Monday, 4 May 2009 to Friday, 8 May 2009, from Monday, 16 November 2009 to Friday, 20 November 2009 and from Monday, 15 March 2010 to Friday, 19 March 2010.

Warrant holders may not transfer or pledge their warrants to any third party.

Any new shares subscribed pursuant to the warrants shall carry the same rights as the existing shares according to these Articles of Association, including that the new shares shall be negotiable instruments and shall be issued to bearer, but may be registered in the name of the holder in the Company's register of shareholders. No restrictions shall apply to the transferability of the new shares, and no shareholder shall be obliged to let his shares be redeemed in full or in part. The shares shall rank for dividend as from the date of subscription.

If, prior to the exercise of the warrants (in full), the Company adopts a resolution to introduce share classes, each share subscribed on exercise of the warrants after the adoption of such resolution shall belong to the same class of shares as the existing shares.

If, prior to the exercise of the warrants, the Company adopts a resolution to increase its share capital by an issue of bonus shares, each warrant holder shall receive, on exercise of the warrants and without additional payment, such additional whole number of shares (rounded down) as equals the ratio of the Company's share capital prior to the capital increase to the nominal amount by which the bonus share issue increases the share capital, multiplied by the number of warrant shares, so as to position the warrant holders as if the warrant had been exercised immediately prior to the bonus share issue.

If, prior to the exercise of the warrants (in full), a resolution is adopted to increase the share capital or issue warrants, convertible debt instruments or the like, whereby shares may be subscribed at a price not below the market value of the shares, this shall not affect the terms and conditions for exercise of the warrants. If a resolution is adopted to increase the share capital, issue warrants, convertible debt instruments or the like, except to employees or board members of the Company or its subsidiaries, whereby shares may be subscribed at a price below the market price of the shares, the number of shares that may be subscribed pursuant to the warrants and the price of such shares shall be adjusted so as position the warrant holders, both in relation to their interest in the Company (rounded down) and in relation to the exercise price, as if the warrants had been exercised immediately prior to the relevant change in the Company's capital structure. If a resolution is adopted to increase the share capital, issue warrants, convertible debt instruments or the like to employees or board members of the Company or its subsidiaries, whereby shares may be subscribed at a price below the market value of the shares, this shall not affect the terms and conditions for exercise of the warrants.

If, prior to the exercise of the warrants (in full), the Company adopts a resolution to reduce its share capital to cover a loss, the (remaining) number of shares that can be subscribed pursuant to the warrants and the price of such shares shall be adjusted so as to position the warrant holders, both in relation to their interest in the Company (rounded down) and in relation to the exercise price, as if the warrants had been exercised immediately prior to the capital reduction.

If, prior to the exercise of the warrants (in full), the Company adopts a resolution to reduce its share capital by disbursement to the shareholders, or if the Company adopts a resolution to dissolve the Company, including to merge or demerge the Company, the warrant holders shall, on exercise of the (remaining) warrants, be positioned as if the warrant had been exercised immediately prior to the relevant decision.

In the event of a sale of a majority of the shares in the Company, meaning a transfer of more than 50% of the Company's share capital to a third party (who may be a shareholder in the Company), the terms and conditions of the warrants issued shall basically not be affected. The Board of Directors may decide:

that warrant holders, who have vested but not yet exercised warrants, shall exercise such vested warrants in full and transfer the shares on the same terms and conditions as the other selling shareholders (or waive such warrants, whereby they will lapse),

that warrant holders, who have vested but not yet exercised warrants, shall retain such warrants on the terms and conditions stated in the warrants,

that warrant holders, who have unvested warrants, shall exercise such warrants in full and transfer the shares on the same terms and conditions as the other selling shareholders (or waive such warrants, whereby they will lapse),

that warrant holders, who have unvested warrants, shall retain such warrants on the terms and conditions stated in the warrants.

For the purpose of implementing the capital increase associated with exercise of the warrants, the Board of Directors shall be authorised to increase the Company's share capital during the period ending on 1 April 2010 in one or more issues by a total nominal amount of up to DKK 3,078,500 by cash payment at a price of DKK 191.30 per share of DKK 20 nominal value and without pre-emption rights to the Company's existing shareholders. All other terms and conditions governing the subscription for shares shall be determined by the Board of Directors.

Article 5i

The Board of Directors has issued warrants for subscription in one or more issues of shares with a nominal value of up to DKK 6,500,000 by cash payment at a price of DKK 361 per share with a nominal value of DKK 20 each. Existing shareholders shall have no pre-emption rights to the warrants.

Subscription of shares pursuant to the warrants may be effected in full or in part during the period from Monday, 22 November 2010 to Friday, 26 November 2010, from Monday, 2 May 2011 to Friday, 6 May 2011 and from Monday, 21 November 2011 to Friday, 25 November 2011.

Warrant holders may not transfer or pledge their warrants to any third party.

Any new shares subscribed pursuant to the warrants shall carry the same rights as the existing shares according to these Articles of Association, including that the new shares shall be negotiable instruments and shall be issued to bearer, but may be registered in the name of the holder in the Company's register of shareholders. No restrictions shall apply to the transferability of the new shares, and no shareholder shall be obliged to let his shares be redeemed in full or in part. The shares shall rank for dividend as from the date of subscription.

If, prior to the exercise of the warrants (in full), the Company adopts a resolution to introduce share classes, each share subscribed on exercise of the warrants after the adoption of such resolution shall belong to the same class of shares as the existing shares.

If, prior to the exercise of the warrants, the Company adopts a resolution to increase its share capital by an issue of bonus shares, each warrant holder shall receive, on exercise of the warrants and without additional payment, such additional whole number of shares (rounded down) as equals the ratio of the Company's share capital prior to the capital increase to the nominal amount by which the bonus share issue increases the share capital, multiplied by the number of warrant shares, so as to position the warrant holders as if the warrant had been exercised immediately prior to the bonus share issue.

If, prior to the exercise of the warrants (in full), a resolution is adopted to increase the share capital or issue warrants, convertible debt instruments or the like, whereby shares may be subscribed at a price not below the market value of the shares, this shall not affect the terms and conditions for exercise of the warrants. If a resolution is adopted to increase the share capital, issue warrants, convertible debt instruments or the like, except to employees or board members of the Company or its subsidiaries, whereby shares may be subscribed at a price below the market price of the shares, the number of shares that may be subscribed pursuant to the warrants and the price of such shares shall be adjusted so as position the warrant holders, both in relation to their interest in the Company (rounded down) and in relation to the exercise price, as if the warrants had been exercised immediately prior to the relevant change in the Company's capital structure. If a resolution is adopted to increase the share capital, issue warrants, convertible debt instruments or the like to employees or board members of the Company or its subsidiaries, whereby shares may be subscribed at a price below the market value of the shares, this shall not affect the terms and conditions for exercise of the warrants.

If, prior to the exercise of the warrants (in full), the Company adopts a resolution to reduce its share capital to cover a loss, the (remaining) number of shares that can be subscribed pursuant to the warrants and the price of such shares shall be adjusted so as to position the warrant holders, both in relation to their interest in the Company (rounded down) and in relation to the exercise price, as if the warrants had been exercised immediately prior to the capital reduction.

If, prior to the exercise of the warrants (in full), the Company adopts a resolution to reduce its share capital by disbursement to the shareholders, or if the Company adopts a resolution to dissolve the Company, including to merge or demerge the Company, the warrant holders shall, on exercise of the (remaining) warrants, be positioned as if the warrant had been exercised immediately prior to the relevant decision.

In the event of a sale of a majority of the shares in the Company, meaning a transfer of more than 50% of the Company's share capital to a third party (who may be a shareholder in the Company), the terms and conditions of the warrants issued shall basically not be affected. The Board of Directors may decide:

that warrant holders, who have vested but not yet exercised warrants, shall exercise such vested warrants in full and transfer the shares on the same terms and conditions as the other selling shareholders (or waive such warrants, whereby they will lapse),

that warrant holders, who have vested but not yet exercised warrants, shall retain such warrants on the terms and conditions stated in the warrants,

that warrant holders, who have unvested warrants, shall exercise such warrants in full and transfer the shares on the same terms and conditions as the other selling shareholders (or waive such warrants, whereby they will lapse),

that warrant holders, who have unvested warrants, shall retain such warrants on the terms and conditions stated in the warrants.

For the purpose of implementing the capital increase associated with exercise of the warrants, the Board of Directors shall be authorised to increase the Company's share capital during the period ending on 12 December 2011 in one or more issues by a total nominal amount of up to DKK 6,500,000 by cash payment at a price of DKK 361 per share of DKK 20 nominal value and without pre-emption rights to the Company's existing shareholders. All other terms and conditions governing the subscription for shares shall be determined by the Board of Directors.

SHARES

Article 6

The shares shall be issued to bearer, but may be registered in the name of the holder in the Company's register of shareholders. The shares shall be negotiable instruments, and no restrictions shall apply to the transferability of the shares.

Article 7

No share shall carry any special rights, and no shareholder shall be obliged to let his shares be redeemed in full or in part by the Company or by any other party.

Article 8

The Board of Directors may resolve that the Company's register of shareholders be kept either by the Company or by an external registrar appointed by the Board of Directors. The Company's register of shareholders is kept by Aktiebog Danmark A/S, Kongevejen 118, DK-2840 Holte.

Article 9

Share certificates may be cancelled without a court order pursuant to the statutory rules on cancellation of negotiable instruments in force from time to time.

GENERAL MEETINGS

Article 10

Within the framework laid down by statute and these Articles of Association, the shareholders in general meeting are the supreme authority in all company matters.

General meetings shall be held at the Company's registered office or in the Greater Copenhagen Area.

General meetings shall be convened by the Board of Directors giving not less than eight days' and not more than four weeks' notice.

General meetings shall be advertised in one leading daily newspaper and in the computer information system of the Danish Commerce and Companies Agency *(Erhvervs- og Selskabsstyrelsen)*. Furthermore, all shareholders registered in the Company's register of shareholders, who have so requested, shall be convened by letter.

The notice shall set out the agenda of the general meeting and shall specify whether any proposal requiring a special majority of votes is to be considered, including the full wording of such proposal.

During the last eight days before each general meeting, the agenda and the proposed resolutions, set out verbatim, to be considered at the general meeting and, in the case of the annual general meeting, also the audited annual report shall be available for inspection by the shareholders at the Company's office. Such documents shall concurrently be sent to each registered shareholder who has so requested.

Article 11

Any shareholder shall be entitled to attend general meetings, provided he has requested an admission card from the Company's office not later than five days prior to the relevant meeting. In order to document his right as a shareholder, the shareholder must be registered in the Company's register of shareholders or present documentation from his bank, which documentation must have been issued within 14 days of his request for an admission card. In order to receive an admission card, the shareholder must also submit a written statement to the effect that his shares have not been, or will not be transferred to any third party prior to the general meeting. Shareholders may attend in person, with an adviser or by proxy.

The voting right may be exercised by proxy pursuant to an instrument of proxy issued to a person who need not be a shareholder in the Company. Proxies shall, unless they contain a provision to the contrary, be considered valid until revoked in writing by notification to the Company. However, proxies may not be granted for a period of more than 12 months.

Article 12

The annual general meeting shall be held within four months of the end of the financial year.

The agenda of the annual general meeting shall include the following business:

1. The Board of Directors' report on the activities of the Company during the past year.
2. Presentation and adoption of the annual report.
3. The Board of Directors' resolution on the distribution of the profit or covering of the loss according to the approved annual report.
4. Election of members to the Board of Directors.
5. Appointment of auditors.
6. Any proposals from the Board of Directors or shareholders, including any proposals authorising the Company to purchase its own shares.

Any proposals from the shareholders to be considered at the annual general meeting must be submitted to the Company not later than two months after the end of the financial year.

Article 13

Extraordinary general meetings shall be held whenever a general meeting, the Board of Directors or the auditor thinks fit or upon a written request from any shareholder who holds not less than 10% of the Company's share capital. Shareholder requests shall specify the nature of the business to be considered at the meeting. The general meeting shall be convened within 14 days of receipt of the request by the Board of Directors.

Article 14

A chairman appointed by the Board of Directors shall preside over the general meeting.

The chairman of the meeting shall supervise the proceedings and shall decide all matters pertaining to the transaction of business.

Minutes of the proceedings of the general meeting shall be entered in a minute book to be signed by the chairman of the meeting and the members of the Board of Directors attending the meeting.

Not later than 14 days after a general meeting, the minutes of the general meeting or a certified copy thereof shall be available for inspection by the shareholders at the Company's office and shall be sent to each shareholder who has submitted a written request to such effect.

VOTING RIGHTS

Article 15

Each share of DKK 1 shall carry one vote at general meetings. Shareholders who have acquired shares by transfer are not entitled to exercise voting rights for such shares, unless the shares have been entered in the Company's register of shareholders, or unless the shareholder has applied for registration of and substantiated his acquisition prior to the notice convening the general meeting. The acquired shareholding shall be considered to be represented at the general meeting even though no voting rights may be exercised, if prior to the general meeting the shares have been entered in the register of shareholders or the shareholder has applied for registration of and substantiated his acquisition.

Article 16

All resolutions at general meetings shall be adopted by a simple majority of votes unless the Danish Public Companies Act or these Articles of Association provide special rules on representation and majority.

If a qualified majority of votes or unanimity is not provided for by the Danish Public Companies Act, the adoption of any resolution to amend the Articles of Association, to dissolve or merge the Company shall require a majority of votes of at least two-thirds of the votes cast as well as of the voting share capital represented at the general meeting, and also at least 50% of the share capital shall be represented at the general meeting. If less than 50% of the share capital is represented at the general meeting, but a resolution is adopted by at least two-thirds of the votes cast as well as of the voting share capital represented at the general meeting, the resolution may be adopted by at least two-thirds of the votes cast as well as of the voting share capital represented at the general meeting at a new general meeting convened within 14 days of the previous general meeting.

BOARD OF DIRECTORS AND MANAGEMENT

Article 17

The Company shall be managed by a Board of Directors comprising not less than three and not more than eight members elected by the general meeting for terms of one year. Board members are eligible for re-election. Additional members are elected pursuant to the provisions of Danish law on employee representation on boards of directors.

The general meeting shall determine the directors' fees.

Article 18

Minutes of the proceedings at board meetings shall be entered in a minute book to be signed by all attending members.

The Board of Directors shall elect its own chairman and vice-chairman.

The Board of Directors may grant single or joint powers of procuration.

The Board of Directors shall draw up its own rules of procedure governing the performance of its duties.

The Board of Directors shall appoint a management.

POWERS TO BIND THE COMPANY

Article 19

The Company is bound by the joint signatures of the chairman of the Board of Directors and either a manager or two members of the Board of Directors, or by the joint signatures of any two members of the Board of Directors and a manager.

AUDITING

Article 20

The annual report shall be audited by one or two state-authorised public accountants appointed as auditors by the shareholders in general meeting.

The auditor shall be appointed for a term of one year and shall be eligible for re-appointment.

FINANCIAL YEAR AND ANNUAL REPORT

Article 21

The Company's financial year is the calendar year.

The annual report shall be prepared in accordance with the provisions of Danish financial reporting legislation in force from time to time.

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So adopted on the board meeting held on 22 August 2007.

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