

NEUROSEARCH

Annual Report

2017

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This Annual Report is published in both a Danish and an English version. In the event of any discrepancies, the Danish version shall prevail.

To our shareholders and other stakeholders

Dear shareholder

In 2017, the Company met most of the objectives in its action plan, which has now entered its final phase either in the form of a sale of the Company or a liquidation.

All significant outstanding obligations have now been settled.

The remaining rights in the preclinical and clinical assets which NeuroSearch divested to Saniona during the period 2012-2016, have been sold to Saniona A/S for a one-time payment of DKK 5.5 million. Furthermore, Saniona assumed NeuroSearch's royalty obligations to third parties regarding potential future net sales revenues from the projects in question, including NeuroSearch's royalty payment obligations to Boehringer Ingelheim on tesofensine and to GlaxoSmithKline on NS2359.

The divestment of NsGene has also been finalised, and the liquidation proceeds have been received.

The remaining assets subsequently consist of:

- A bank deposit of approximately DKK 74 million.
- A small illiquid shareholding in Atonomics A/S. On 15 January 2018, Atonomics filed a petition for bankruptcy.
- Potential milestone payments from Teva Pharmaceuticals totalling DKK 55 million, which will become payable if the drug candidate Huntexil® is granted market approval. The Company has no insight into Teva Pharmaceuticals' future development plans for Huntexil®.
- A tax loss of about DKK 1.7 billion, which may be carried forward indefinitely as long as the Company's shares remain listed.

In light of the above, the Company is now at a stage of its resolution plan at which it intends to explore the possibility of divesting the Company prior to the annual general meeting to be held on 25 April 2018. If the Company does not receive a satisfactory bid or another transaction, the Board of Directors intends to propose to the shareholders at the annual general meeting that the Company enter into voluntary liquidation with a view to distributing the net proceeds to the shareholders.

Financial outlook for 2018

For 2018, NeuroSearch expects an operating loss in the range of DKK 3.5-4.5 million, based on going concern assumption. The expectations do not include any potential income from the Company's agreement with Teva Pharmaceuticals.

(Continued on the next page)

Asset	Contents	Plan for divesting values
Value of tax loss	The tax loss carry-forward in the Company amounts to approx. DKK 1.7 billion.	The Company is regularly scanning the market for potential buyers of NeuroSearch and the accompanying tax loss.
Potential milestone payments from TEVA regarding Huntexil®.	If Huntexil® is granted market approval, NeuroSearch will be entitled to receive three milestone payments totalling up to DKK 55 million. NeuroSearch has no insight into Teva's future plans for developing Huntexil®.	
Atonomics A/S	NeuroSearch owns 3.6% of Atonomics. On 15 January 2018, Atonomics filed a petition for bankruptcy, and the shares are considered of no value.	

Board of Directors

Financial highlights

Financial highlights (DKK million)

Income statement and statement of comprehensive income	2013*	2014*	2015*	2016*	2017
Gain from divestment of intellectual property rights	28.8	-	-	1.3	2.2
Development cost	21.7	-	-	-	-
Administrative expenses	16.7	13.3	6.5	7.6	3.2
Operating profit/(loss)	(9.6)	(13.3)	(6.5)	(6.3)	(1.0)
Net financials	5.1	2.7	(0.3)	27.9	(9.8)
Profit/(loss) of continuing operations before tax	(4.5)	(10.6)	(6.8)	21.6	(10.8)
Net profit/(loss) of discontinued operations	15.6	1.6	1.3	1.2	3.0
Net profit/(loss) for the year	12.4	(7.7)	(5.5)	22.8	(7.9)
Comprehensive income***	6.6	(10.2)	(5.3)	(1.0)	2.0
Balance sheet					
Total assets	92.2	84.0	78.6	79.4	74.5
Cash and cash equivalents and securities	88.8	83.4	78.0	74.4	74.1
Equity	88.0	77.7	72.4	71.4	73.4
Ratios** (DKK)					
Earnings per share	0.50	(0.32)	(0.23)	0.93	(0.32)
Diluted earnings per share	0.50	(0.32)	(0.23)	0.93	(0.32)
Net asset value	3.58	3.17	2.95	2.91	2.99
Market price at year end	3.10	2.59	2.51	3.01	4.21
Market price/net asset value	0.87	0.82	0.85	1.04	1.41
Average number of employees	18	2	2	2	1
Number of employees at 31 December	2	2	2	2	1

* The comparative figures for 2013 to 2016 cover the Consolidated Financial Statements of NeuroSearch A/S and its wholly owned subsidiaries NeuroSearch Sweden AB, Poseidon Pharmaceuticals A/S and NsExplorer A/S, all of which have now been wound up.

** The ratios are stated in accordance with "Recommendations and Financial Ratios" issued by The Danish Finance Society.

*** Comprehensive income includes unrealised exchange adjustment of net investment and fair value adjustment of the hedge of the net investment in NeuroSearch Sweden AB.

Assets in NeuroSearch

Agreements

	Value and conditions
☼ Teva Pharmaceuticals	<p>NeuroSearch is entitled to:</p> <ul style="list-style-type: none">• Milestone payments of up to a total of DKK 55 million distributed as follows: To be received upon first registration application for Huntexil® DKK 22 million, to be received upon marketing approval inside the EU/EFTA DKK 16.5 million, and to be received upon marketing approval outside the EU/EFTA DKK 16.5 million. As it is currently not certain that TEVA will submit their first registration application regarding Huntexil® in the near future, NeuroSearch has chosen not yet to recognise the milestone payments from the sale of Huntexil® (announcement no. 21-12).

Investments in other companies

	Ownership shares
☼ Atonomics A/S	<p>NeuroSearch holds 3.6% of the shares in Atonomics. On 15 January 2018, Atonomics filed a petition for bankruptcy, and the shares are considered of no value.</p>

Tax

	Tax
☼ Tax	<p>At 31 December 2017, the Company had tax loss carry-forwards totalling approximately DKK 1,714 million which can be carried forward indefinitely. In addition, the Company had deductible temporary differences (net) of approximately DKK 77 million, a total of approximately DKK 1,791 million. The calculated carrying amount of the unrecognised potential deferred tax assets is approximately DKK 394 million for the Company at a tax rate of 22% (2016: DKK 394 million).</p>

Shareholder information

NeuroSearch is listed on Nasdaq Copenhagen A/S under securities identification code 1022466 (NEUR) and is included in the SmallCap segment.

Share price and market capitalisation performance in 2017

On 29 December 2017, the closing price of the NeuroSearch share was DKK 4.21, compared with a year-end closing price of DKK 3.01 in 2016, equivalent to a 40% increase.

Turnover

In 2017, the turnover of NeuroSearch shares totalled DKK 60 million, equivalent to an average daily turnover of DKK 239 thousand. A total of approximately 16 million shares were traded (66%) during the year. In 2016, total turnover in the share was DKK 11 million corresponding to an average daily turnover of DKK 43 thousand and a total number of shares traded of approximately 4 million (18%).

Latest share price and market capitalisation

On 8 February 2018, the closing price of the NeuroSearch share was DKK 4.95, equivalent to a market capitalisation of NeuroSearch of DKK 122 million.

Ownership structure

On 29 December 2017, NeuroSearch had 12,710 registered shareholders, who held a total of 20,048,548 shares.

This corresponds to 83% (2016: 75%) of the total outstanding share capital being registered in the Company's register of shareholders. In 2017, the number of registered NeuroSearch shareholders decreased by 1,019, but there was an increase in the proportion of registered shareholders.

The Company's shares are bearer securities, and thus no exact registration of the holders exists.

The following investors have notified NeuroSearch that they hold more than **10%** of the shares in the Company:

- ☀ **Porter Orlin LLC**, 666 5th Avenue # 3403, New York, NY 10103-3402, USA (10.11%)

The following investors have notified NeuroSearch that they hold more than **5%** of the shares in the Company:

- ☀ **Glaxo Group Limited**, Berkeley Ave., Greenford, Middlesex, UB6 0NN, United Kingdom (5.17%)
- ☀ **ATP**, Kongens Vænge 2, DK-3400 Hillerød, Denmark (9.94%)
- ☀ **Luxor Capital Group**, LP, 1114 Avenue of the Americas, 29th Floor, New York, NY 10036, USA (9.99%)

NeuroSearch will not pay dividends for 2017.

Financial calendar for 2018

The Annual General Meeting will be held on Tuesday, 25 April 2018 at 4 pm (local time) at Kromann Reumert, Sundkrogsgade 5, 2100 Copenhagen Ø, Denmark.

Financial reporting for 2018

25 April 2018

Annual General Meeting 2018

30 August 2018

Interim report for H1 2018

In-house rules

The Board of Directors, Management and all other employees of NeuroSearch are subject to the Company's in-house stock exchange rules of ethics for trading in the Company's shares and treatment of inside information. NeuroSearch has established a procedure for monitoring in-house trading in company shares.

As a listed Danish company, the Company's communications must comply with the rules and regulations set out in the Market Abuse Regulation and in the Rules for Issuers of Shares on Nasdaq

Copenhagen. Thus, the Company's most important communications tools are company announcements and press releases issued via the Nasdaq Copenhagen distribution service. Following public release, all news releases are posted on the Company's website. Further, direct contact and dialogue with all investor market stakeholders are very important.

Website

The company's corporate website (www.neurosearch.com) is updated regularly so that our shareholders and other stakeholders can get an overview of the status and prospects for the Company as a whole.

News service by email

We invite all shareholders and other stakeholders to register for the Company's email service in order to automatically receive all company announcements and press releases directly by email.

You can register for the Company's email service directly at www.neurosearch.com.

Report on CSR and gender composition

Report on Management's gender composition, cf. section 99b of the Danish Financial Statements Act

NeuroSearch's Board of Directors consists of two male members and one female member, so the Company maintains an equal gender distribution at the supreme management level. There is an equal gender distribution at the other management levels, and the Company consequently does not define policies in this respect.

Report on corporate social responsibility, cf. section 99a of the Danish Financial Statements Act

In view of its size and current activities, NeuroSearch no longer has:

- A policy for corporate social responsibility
- A policy for respecting human rights
- A policy for reducing the climate impact from the Company's activities

Working environment

The physical working environment has been simplified in step with the reduction of activities in NeuroSearch. The Company's office is located in an office partnership from where the remaining administration is handled.

Risk management and internal control

NeuroSearch's risk management activities reflect the fact that the Company no longer actively conducts research in or develops pharmaceuticals. Consequently, a large number of risks that were previously relevant to the Company – namely development and commercial risks – are no longer relevant.

Management of selected risk areas

Securing the Company's operations and assets

NeuroSearch has taken out insurance to cover any operating losses, losses due to claims in connection with clinical studies and loss of assets in connection with fire, theft or the like. All insurance is handled by an external insurance broker who reports at least once a year as to whether the Company's insurance cover is considered to be sufficient and reasonable.

Main elements of internal control and risk management systems in relation to the financial reporting process in NeuroSearch

NeuroSearch has elected to publish the main elements of its internal control and risk management systems on the Company's website (www.neurosearch.com/default.aspx?ID=8247). In addition, NeuroSearch has elected to publish its statutory report on corporate governance, cf. section 107b of the Danish Financial Statements Act, on its website (www.neurosearch.com/default.aspx?ID=8477).

Financial risks

More information on financial risks is provided in note 15 to the Financial Statements.

Financial review

In 2017, the Company no longer formed a group because of the completed winding-up of the subsidiary NeuroSearch Sweden AB. Consequently, the Annual Report for 2017 only comprises NeuroSearch A/S.

Cash and cash equivalents

At 31 December 2017, cash and cash equivalents totalled DKK 74 million.

Income statement

In 2017, NeuroSearch realised an operating loss on continuing operations of DKK 1 million (2016: DKK 6 million). This was in line with the previously announced expectations of an operating loss in the region of DKK 1 million.

The claims for compensation raised against the company following the verdict in November 2016 from the Supreme Court have all been settled at a total cost of DKK 0.4 million, including costs of lawyers.

NeuroSearch realised an after tax loss on continuing operations of DKK 11 million (2016: income of DKK 22 million).

The Company realised a loss for the year of DKK 8 million (2016: income of DKK 23 million).

Costs

Costs totalled DKK 3 million (2016: DKK 8 million).

Administrative expenses totalled DKK 3 million (2016: DKK 8 million).

Net financials

Financials amounted to a net expense of DKK 9.8 million (2016: net income of DKK 27.9 million). The share of profit/loss from investments in subsidiaries represents a loss of DKK 9.9 million (2016: income of DKK 23.5 million), primarily relating to recycling of exchange adjustment from other comprehensive income. The share of income from the associate – NsGene A/S – has been recognised in the income statement at a total income of DKK 0.4 million (2016: DKK 4.5 million). Financial expenses, which amounted

to DKK 397 thousand (2016: DKK 389 thousand), constituted interest expenses.

Tax

At 31 December 2017, the Company had tax loss carry-forwards totalling approximately DKK 1,714 million, which can be carried forward indefinitely. In addition, the Company had deductible temporary differences (net) of approximately DKK 77 million, a total of approximately DKK 1,791 million. The calculated carrying amount of unrecognised potential deferred tax assets is approximately DKK 394 million for the Company at a tax rate of 22% (2016: DKK 394 million). A tax calculation is provided in note 5 to the Financial Statements.

Discontinued operations

In 2017, a profit of DKK 3 million was recognised from discontinued operations (2016: income of DKK 1 million). In 2017, the income related to the agreement concluded with Saniona A/S in July 2017.

Distribution of profit/loss

It is proposed that the loss for year of DKK 8 million be transferred to retained earnings.

Balance sheet

At the end of 2017, the balance sheet total amounted to DKK 75 million (2016: DKK 84 million).

Cash and cash equivalents totalled DKK 74 million at 31 December 2017 (2016: DKK 74 million).

Statement of cash flows

The cash flows from operating activities amounted to a cash outflow of DKK 5 million in 2017 compared to a cash outflow in 2016 of DKK 9 million.

The cash flows from investing activities was DKK 5 million in 2017 (2016: DKK 0 million). The amount concerns the final payment from NsGene in connection with the voluntary liquidation that the company entered into in January 2017, which was finalised in the autumn of 2017.

The cash flows from financing activities was a cash inflow of DKK 0 million in 2017 (2016: DKK 5 million).

Cash and cash equivalents thereafter amounted to DKK 74 million at 31 December 2017 (2016: DKK 74 million).

Statement of movements in equity

The profit for the year before recycling of currency translation has affected equity positively by DKK 2 million. Recycling of currency translation has no effect on equity. Equity amounted to DKK 73 million at 31 December 2017 (2016: DKK 71 million).

Financial risks

For further details, please see the mention in "Risk management and internal control" on page 9 and information on financial risks stated in note 15.

Related parties

Related parties comprise the Company's Executive Management and the Board of Directors. In addition, Kromann Reumert is considered a related party as Christian Lundgren, who is a member of the Board of Directors, is a partner in the law firm.

Financial outlook for 2018

For 2018, NeuroSearch expects an operating loss in the range of DKK 3.5-4.5 million, based on going concern assumption. The expectations do not include any potential income from the Company's agreement with Teva Pharmaceuticals.

Events after the balance sheet date

On 15 January 2018, Atonomics A/S filed a petition for bankruptcy, and the shares are considered of no value. No additional events have occurred after the end of the financial year that may have a material impact on the Financial Statements.

Board of Directors

Karin Garre

Danish citizen, born 1957
Position: Executive Head, Psychiatric Centre of Copenhagen

Member of the Board of Directors since December 2013 and Chairman of the Board of Directors since December 2013. Karin Garre is considered an independent Board member in accordance with the corporate governance recommendations.

Special competencies: Karin Garre is a medical doctor and has more than 25 years of broad executive experience from the pharmaceutical industry and experience from board memberships, including from StemCare A/S and LTC A/S. Karin Garre has previously held positions as Chief Development Officer and Executive Vice President in NeuroSearch A/S.

Allan Andersen

Danish citizen, born 1945
Position: CEO, AA Consult ApS

Member of the Board of Directors since May 1989, Chairman of the Board of Directors from January 2013 until December 2013. Allan Andersen is not considered an independent Board member in accordance with the corporate governance recommendations as he has been a member of the Board of Directors for more than 12 years.

CEO of NeuroSearch A/S since 1 December 2013, Executive Director of AA Consult ApS, Executive Director of Allan Consulting EOOD, Executive Director of AA Consulting EOOD, Executive Director of Provia Cheese OOD and Executive Director of Jeravna Development EOOD.

Special competencies: Allan Andersen holds more than 30 years of broad experience from different company boards and has extensive financial knowledge as well as shareholder experience from the biotech industry.

Christian Lundgren

Danish citizen, born 1966
Position: Attorney-at-law and Partner at the law firm of Kromann Reumert

Member of the Board of Directors since January 2013. Christian Lundgren is not considered an independent Board member in accordance with the corporate governance recommendations as Kromann Reumert are regularly engaged as the Company's lawyer.

Member of the Board of Directors of Det Nissenske Familiefond.

Special competencies: Christian Lundgren holds many years of experience within consulting, restructuring and other transactions relating to listed companies and has in-depth knowledge of the biotech industry.

Executive Management

Allan Andersen

CEO
(Born 1945, member of the Executive Management since 2013)
(see directorships under Board of Directors)

Management structure

Corporate governance

Pursuant to the rules of Nasdaq Copenhagen A/S, listed companies must state their position relative to the “Corporate Governance Recommendations 2013” as most recently updated in November 2014. This must be done applying the “comply or explain” principle. In accordance with section 107b of the Danish Financial Statements Act, NeuroSearch has prepared a statutory report on corporate governance which is available in full at the Company’s website (www.neurosearch.com/Default.aspx?ID=8477).

Board of Directors

All members of the Board of Directors elected by the shareholders at the Annual General Meeting are elected for terms of one year.

Seven actual Board meetings were held during 2017. The Board performs its duties in accordance with a written set of 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 minute books, the register of shareholders and other records. The tasks of the audit committee are handled by the combined members of the Board of Directors.

Remuneration

Members of the Board of Directors of NeuroSearch receive a fixed fee. The fee is fixed according to the standards in the market and reflects demands to their competencies and efforts in light of the scope of their work and the number of Board meetings.

The Chairman’s fee in respect of 2017 was DKK 312.5 thousand, and fees paid to each of the ordinary members amounted to DKK156.3 thousand, equivalent to a total of DKK 625 thousand.

The Board of Directors does not receive any other remuneration from NeuroSearch than the fixed remuneration, except for Allan Andersen, who is CEO and receives remuneration as such. Christian Lundgren is a partner of Kromann Reumert, which regularly receives consulting fees from the Company and therefore is considered a related party to NeuroSearch. For information on remuneration to the Board of Directors as a related party, reference is made to note 13 to the Financial Statements.

For information regarding the number of NeuroSearch shares held by the Board of Directors, see note 2 to the Financial Statements.

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup
Denmark

Legal advisers

Kromann Reumert
Sundkrogsgade 5
DK-2100 Copenhagen Ø
Denmark

Bank

Nordea Bank Danmark A/S
Strandgade 3
P.O. Box 850
DK-0900 Copenhagen C
Denmark

Management's statement

The Board of Directors and Executive Management today considered and adopted the Annual Report of NeuroSearch A/S for the financial year 1 January - 31 December 2017.

The Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and further requirements in the Danish Financial Statements Act.

In our opinion, the Financial Statements gives a true and fair view of the assets, liabilities and financial position at 31 December 2017 of the Company and of the results of the Company operations and cash flows for the financial year 1 January - 31 December 2017.

In our opinion, Management's Review includes a true and fair account of developments in the operations and financial circumstances of the Company, of the results for the year and of the financial position of the Company as well as a description of the most significant risks and elements of uncertainty the Company.

We recommend that the Annual Report be approved at the Annual General Meeting.

Hellerup, 9 February 2018

Executive Management



Allan Andersen
CEO

Board of Directors



Karin Garre
Chairman



Christian Lundgren



Allan Andersen

Independent auditor's reports

To the Shareholders of NeuroSearch A/S

Our opinion

In our opinion, the Financial Statements give a true and fair view of the Company's financial position at 31 December 2017 and of the results of the operations and cash flows for the financial year 1 January - 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Our opinion is consistent with our Auditor's Long-form Report to the Board of Directors.

What we have audited

NeuroSearch A/S's Financial Statements for the financial year 1 January - 31 December 2017 comprise accounting policies, income statement and comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes (Financial Statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the "Audit of the Financial Statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment

Following the admission of the shares of NeuroSearch A/S for listing on Nasdaq Copenhagen, we were first appointed auditors of NeuroSearch A/S on 23 April 1997. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of 21 years including the financial year 2017.

Key Audit Matters

We have determined that there are no key audit matters to communicate in our auditor's report.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act., and for such control as Management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic

decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to

communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Hellerup, 9 February 2018

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR-no. 33 77 12 31



Brian Christiansen
State Authorised
Public Accountant
mne34342



Thomas Lauritsen
State Authorised
Public Accountant
mne23371

NeuroSearch

Financial Statements

Accounting policies

for the period 1 January – 31 December

The accounting policies applied in the preparation of the Financial Statements are set out below.

From 2017 the Company is no longer a group due to the now completed liquidation of the subsidiary NeuroSearch Sweden AB. Consequently, the basis of preparation for the Company, NeuroSearch A/S, has been changed from the Danish Financial Statements Act to the International Financial Reporting Standards. The transition has no effect on recognition and measurement, but only on presentation and disclosure. A comprehensive income statement and cash flow statement for the Company are now presented, as well as minor adjustments to individual notes.

Basis of preparation

The Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and further requirements in the Danish Financial Statements Act. The Company has applied the standards and interpretations that are mandatory for financial years beginning on 1 January 2017.

The Financial Statements have been prepared under the historical cost convention, as modified by revaluation of financial assets and financial liabilities at fair value through profit or loss.

The preparation of Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, and areas where assumptions and estimates are significant to the Consolidated Financial Statements, are disclosed in note 1.

The Financial Statements are presented in DKK, which is also the functional currency of the Company.

Implementation of new standards, amendments and interpretations

New standards, amendments and interpretations adopted but not yet effective

The IASB has adopted a number of standards and interpretations that will come into effect later, and will not be implemented in the Annual Report until they take effect.

Given the Company's current activity, only a few of these are expected to be of relevance for the Company. These are discussed below:

Adopted by the EU

- IFRS 9 "Financial Instruments – classification and measurement". The number of classification categories for financial assets is reduced to three: amortised cost, fair value through profit or loss (FVPL) and fair value through other comprehensive income (FVOCI). Further, the impairment model for financial assets is changed to a model based on expected credit losses under which changes to the credit risk imply changes to the provision for bad debts. The standard will be effective for financial years beginning on or after 1 January 2018.
- IFRS 16 "Leases". New standard on the accounting treatment of leases. Going forward, the lessee is required to recognise all leases as a lease liability and a lease asset in the balance sheet. The standard will be effective for financial years beginning on or after 1 January 2019.

NeuroSearch has assessed the effect of the new standards, amendments and interpretations. The Company expects - given the current activity – that they will not have any effect at the time of implementation.

Segment reporting

The Company is managed as a single business unit. The internal management and reporting structure comprises only one business unit, and the Company therefore has only one operating segment, for which reason no segment information is provided.

Discontinued operations

Net profit after taxation of discontinued operations divested pursuant to a comprehensive plan or closed is presented in one line after profit/(loss) from continuing operations. Write-downs related to assets of the discontinued operations are included in the item.

Foreign currency translation

The functional currency is the currency used in the primary economic environment. 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 expense.

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 expense.

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 adjustment recognised in other comprehensive income is recognised in the income statement together with any gain or loss on the divestment

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 other comprehensive income or equity to the extent that it relates thereto. 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 tax is calculated on all temporary differences between accounting and tax values. Deferred taxes are measured according to current tax rules and at the tax rates expected to be in force on the elimination of the temporary differences. 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 amounts of tax-deductible temporary differences which are not capitalised are disclosed in a note to the Financial Statements.

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.

Income from spin-offs is recognised as Income from divestment of intellectual property.

Administrative expenses

Administrative expenses include salaries, other staff costs, office costs, etc., as well as depreciation.

Financials

Financial items comprise interest, realised and unrealised currency translation adjustments 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

Investments in subsidiaries and associates

Subsidiaries are entities over which the Company exercises control, generally accompanying a shareholding of more than 50% of the voting rights. Associates are entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in subsidiaries and associates are accounted for by the equity method and are initially recognised at cost. The investments in subsidiaries and associates include goodwill (net of accumulated impairment losses) identified on acquisition.

The Company's share of its subsidiaries and associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition income and costs recognised in other comprehensive income is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. If the Company's share of losses in a subsidiary or an associate equals or exceeds its interest in the subsidiary or the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the subsidiary or the associate.

Unrealised gains on transactions between the Company and its subsidiary or associates are eliminated to the extent of the Company's interest in the enterprises. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of the subsidiaries or associates have been changed where necessary to ensure consistency with the policies adopted by the Company.

Financial assets

Financial assets are recognised on the trading date – the date on which the Company commits to purchase or sell the asset.

The financial assets are classified in the following categories:

- at fair value through profit or loss
- loans and receivables

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of

the 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 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.

Receivables are recognised at amortised cost less impairment losses. On initial recognition, the fair value is deemed to correspond to amortised cost. An impairment loss is recorded on receivables when there is objective evidence that NeuroSearch will not be able to collect all amounts due according to the original terms of receivables. Significant financial 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 receivable is impaired. The amount of the impairment loss 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 impairment loss is recognised in the income statement under research or development costs.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, short-term investments with original maturities of three months.

Financial liabilities

Other liabilities including trade creditors 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 the Company's cash flows broken down by operating, investing and financing activities and cash and cash equivalents at the end of the year.

Cash flows from operating activities represent 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 financial items.

Statement of total recognised income and expenses

for the period 1 January – 31 December (DKK thousands)

Note	Income statement	2017	2016
	Revenue	-	-
	Total revenue	0	0
	Gain from divestment of intellectual property rights	2,190	1,327
	Total other income	2,190	1,327
2	Administrative expenses	3,202	7,634
	Total costs	3,202	7,634
	Operating profit/(loss)	(1,012)	(6,307)
8	Resultat af kapitalinteresser i dattervirksomheder efter skat	(9,840)	18,289
8	Share of profit/(loss) of associates	400	4,500
3	Financial income	-	5,523
4	Financial expense	397	389
	Total financials	(9,837)	27,923
	Profit/(loss) before taxes of continuing operations	(10,849)	21,616
5	Tax on profit/(loss) for the year of continuing operations	-	-
	Net profit/(loss) of continuing operations	(10,849)	21,616
6	Profit/(loss) of discontinued operations	2,950	1,199
	Net profit/(loss)	(7,899)	22,815
	Other comprehensive income:		
	Items which are transferred to the income statement under certain conditions:		
	Recycling of currency translation	9,868	(23,469)
	Exchange adjustment of net investment in foreign subsidiary	-	(363)
	Total other comprehensive income	9,868	(23,832)
	TOTAL COMPREHENSIVE INCOME	1,969	(1,017)
7	Earnings per share, continuing operations, DKK	(0.44)	0.88
7	Diluted earnings per share, continuing operations, DKK	(0.44)	0.88
7	Earnings per share for the year, DKK	(0.32)	0.93
7	Diluted earnings per share for the year, DKK	(0.32)	0.93

Balance sheet at 31 December (DKK thousands)

Note	ASSETS	2017	2016	2015
8	Investments in subsidiaries	-	4,582	10,123
8	Investments in associates	-	4,500	-
9	Available-for-sale financial assets	-	-	-
	Total non-current assets	0	9,082	10,123
10	Other receivables	455	472	625
11	Cash and cash equivalents	74,075	74,441	77,868
	Total current assets	74,530	74,921	78,493
	TOTAL ASSETS	74,530	83,995	88,616

Note	EQUITY AND LIABILITIES	2017	2016	2015
	Share capital	24,554	24,554	24,554
	Reserve for currency translation	-	(9,868)	13,964
	Retained earnings	48,798	56,697	33,882
	Total equity	73,352	71,383	72,400
	Trade and other payables	1,018	804	692
	Payables to subsidiaries	-	4,608	10,099
	Other liabilities	160	7,200	5,425
	Total current liabilities	1,178	12,612	16,216
	Total liabilities	1,178	12,612	16,216
	TOTAL EQUITY AND LIABILITIES	74,530	83,995	88,616

- 1 Accounting estimates and judgments
- 12 Fees to auditors appointed at the Annual General Meeting
- 13 Related-party transactions
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Statement of cash flows

for the period 1 January – 31 December (DKK thousands)

Note		2017	2016
	Net profit/(loss)	(7,899)	22,815
16	Adjustments	9,837	(27,923)
	Change in working capital:		
	Net changes in receivables	17	152
	Net changes in current debt	(6,826)	(3,605)
	Cash flow from operating activities	(4,871)	(8,561)
	Proceeds from liquidation of subsidiaries	2	-
	Proceeds from liquidation of associates	4,900	-
	Cash flow from investing activities	4,902	0
	Financial payments received	-	5,523
	Financial payments made	397	389
	Cash flow from financing activities	(397)	5,134
	Net cash flows	(366)	(3,427)
	Net increase/(decrease) in cash and cash equivalents	(366)	(3,427)
	Cash and cash equivalents at 1 January	74,441	77,868
	Cash and cash equivalents at 31 December	74,075	74,441

Statement of movements in equity (DKK thousands)

	Share capital*	Reserve for currency translation	Retained earnings	Total
Equity at 1 January 2016	24,554	13,964	33,882	72,400
Net profit/(loss)	-	-	22,815	22,815
Foreign exchange adjustment of net investment in foreign subsidiary	-	(23,469)	-	(23,469)
Foreign exchange adjustment of net investment in foreign subsidiary	-	(363)	-	(363)
Other comprehensive income	0	(23,832)	0	(23,832)
Total recognised income for the year	0	(23,832)	22,815	(1,017)
Equity at 31 December 2016	24,554	(9,868)	56,697	71,383
Equity at 1 January 2017	24,554	(9,868)	56,697	71,383
Net profit/(loss)	-	-	(7,899)	(7,899)
Recycling of currency translation	-	9,868	-	9,868
Foreign exchange adjustment of net investment in foreign subsidiary	-	-	-	0
Other comprehensive income	0	9,868	0	9,868
Total recognised income for the year	0	9,868	(7,899)	1,969
Equity at 31 December 2017	24,554	0	48,798	73,352

* Under Danish corporate law, share capital may not be used for distribution of dividends.

** In accordance with the Danish Companies Act, "Share premium" has been transferred to "Retained earnings". Accumulated "Share premium" was DKK 2,408 million at 31 December 2017 (2016: DKK 2,408 million).

No dividend has been paid during this or earlier reporting periods.

Treasury shares	Number of shares	Nominal value	Percen- tage of share capital	Market value DKK million
Treasury shares at 1 January 2017	265,946	265,946	1.08	0.8
Adjustments		-	-	0.3
Treasury shares at 31 December 2017	265,946	265,946	1.08	1.1

Notes to the Financial Statements

1 Significant accounting estimates and judgments

The preparation of the Financial Statements requires NeuroSearch to make estimates and judgments that affect the reporting of assets, liabilities and expenses and the related disclosure of contingent assets and liabilities. The estimates are reviewed on an ongoing basis. The estimates are based on historical experience and on various other assumptions which NeuroSearch believes to be reasonable under the circumstances. However, the actual results may differ significantly from these estimates. NeuroSearch believes that the basis of preparation and the accounting policies relating to revenue recognition, financial assets and deferred tax involve accounting estimates by Management that could materially affect the reported financial position and results of operations.

Basis of preparation

The Annual Report is prepared on a going concern basis.

The Company is in the process of settling its remaining assets and liabilities.

Revenue recognition

NeuroSearch receives fees from partnership and licence agreements, licence option fees and licence fees such as up-front or milestone payments. Revenue is recognised from licence agreements and milestone payments if NeuroSearch has no continuing performance obligations and NeuroSearch is certain that the Company will receive the revenue.

Revenue from spin-offs is recognised in Gain from divestment of intellectual property.

In connection with the asset transfer agreement for the Huntexil® project, NeuroSearch is entitled to potential milestone payments from Teva of up to DKK 55 million. The income from future milestone payments will be recognised when the conditions have been met or when the income is received.

Deferred tax

Deferred tax assets are recognised when it is likely that there will be sufficient future taxable income to utilise the temporary differences and unutilised tax losses.

Management has assessed whether the tax asset should be recognised as income in the income statement and as an asset in the balance sheet. The tax asset is currently not deemed to meet the criteria for recognition. So far, the decision is to continue to disclose the size of the asset in the notes to the Financial Statements. Management will regularly reconsider whether the accounting criteria for recognising the asset in the balance sheet and the income statement have been met.

At 31 December 2017, the Company had tax loss carry-forwards totalling approximately DKK 1,714 million, which can be carried forward indefinitely. In addition, the Company had deductible temporary differences (net) of approximately DKK 76 million, a total of DKK 1,791 million. The carrying amount of unrecognised deferred tax assets was approximately DKK 394 million for the Company at a tax rate of 22% (2016: DKK 394 million). A tax calculation for the Company is provided in note 5 to the Financial Statements.

Notes to the financial Financial Statements (DKK thousands)

2 Staff	2017	2016
Break down of staff costs:		
Salaries and wages	735	1,661
Pension	15	105
Board fee	625	1,000
Social security costs	2	8
Other staff costs	6	3
Total	1,383	2,777
Recognised in:		
Administrative expenses	1,383	2,777
Total	1,383	2,777
Average number of employees	1	2
Number of employees at 31 December	1	2
Remuneration to the registered CEO and the Board of Directors:		
Executive Management		
Salaries	650	900
Pension costs	-	-
Total	650	900
Board of Directors:		
Fees	625	1,000
Total	625	1,000
Total remuneration to the CEO and Board of Directors	1,275	1,900

The Company's period of notice to the CEO is 3 months. The period of notice to be given by the CEO to the Company is 3 months. For additional information on remuneration to the Executive Management and the Board of Directors, see "Management Structure" in the Management's Review and the report on Corporate Governance on the Company's website.

Breakdown of number of NeuroSearch shares held by the members of the Board of Directors:

	Shares					
	Beginning of period	Exercise of warrants	Purchase	Sale	Adjustment	End of period
Allan Andersen	21,404	-	-	21,404	-	0
Total	21,404	0	0	21,404	0	0

Notes to the financial statements (DKK thousands)

3	Financial income	2017	2016
	Net foreign exchange adjustment	-	5,523
	Total	0	5,523

4	Financial expense	2017	2016
	Interest expense	397	389
	Total	397	389

5	Tax (DKK million)	2017	2016
	Calculated tax on the year's loss	-	-
	Change in deferred tax	-	-
	Tax on the year's loss (income)	0	0

At 31 December 2017, the Company had tax loss carry-forwards of approximately DKK 1,714 million which can be carried forward indefinitely. In addition, the Company had net deductible temporary differences of approximately DKK 76 million.

In the Financial Statements, the value of the deferred tax asset has been written down to zero as a result of uncertainty as to the Company's ability to generate sufficient future taxable revenues for the tax asset to be utilised.

	2017	2016
The statement below shows the year's movements in the potential tax assets:		
Tax on pre-tax loss	2	(5)
Profit in subsidiaries and associates	(2)	5
Change in deferred tax asset (increase of potential tax asset)	0	0

Breakdown of unrecognised deferred tax assets:

	2017	2016
Tax losses carried forward (available indefinitely)	1,704	1,707
Research and development costs	-	4
Non-current assets	51	54
Other	26	26
Total temporary differences	1,791	1,791

Calculated potential deferred tax asset at local tax rate	394	394
Write-down of deferred tax asset	(394)	(394)
Recognised deferred tax asset	0	0

Notes to the Financial Statements (DKK thousands)

6	Discontinued operations	2017	2016
	On 27 September 2011, the Company announced a comprehensive restructuring and controlled discontinuation of some of the Company's other operations with the exception of Huntexil® in order to release as many financial and managerial resources as possible to complete the development of Huntexil®. Income from discontinued operations in 2017 relates to the agreement concluded in July 2017 between Saniona and NeuroSearch (announcement no. 5-17).		
	Revenue	2,950	1,199
	Costs	-	-
	Net profit/(loss) of discontinued operations	2,950	1,199
	Earnings per share, DKK (discontinued operations)*	0.12	0.05
	Cash flow from operation	2,950	1,199
	Cash flow from investments	-	-
	Cash flow from financing	-	-
	Net cash flow for the period	2,950	1,199

7	Earnings per share	2017	2016
	Net profit/(loss) for continuing operations, DKK thousands	(10,849)	21,616
	Net profit/(loss) for the year, DKK thousands	(7,899)	22,815
	Average number of outstanding shares (in thousands)	24,554	24,554
	Average number of outstanding shares including dilutive effect of warrants "in the money" (in thousands)	24,554	24,554
	Earnings per share for continuing operations, DKK	(0.44)	0.88
	Earnings per share for continuing operations, diluted, DKK	(0.44)	0.88
	Earnings per share for the year, DKK	(0.32)	0.93
	Earnings per share for the year, diluted, DKK	(0.32)	0.93

Notes to the Financial Statements (DKK thousands)

8 Investments in subsidiaries and associates	Subsidiaries		Associates	
	2017	2016	2017	2016
Cost at 1 January	252,917	348,482	64,744	64,744
Contribution recognised in the investment	-	-	-	-
Disposals	252,917	(95,565)	64,744	-
Cost at 31 December	0	252,917	0	64,744
Amortisation and impairment at 1 January	(248,335)	(398,470)	(60,244)	(64,744)
Net profit/(loss)	-	(5,180)	400	4,500
Foreign exchange adjustment	28	(363)	-	-
Recycling of currency translation	(9,868)	23,469	-	-
Reversal of amortisation and impairment on disposal	258,175	132,209	59,844	-
Amortisation and impairment at 31 December	0	(248,335)	0	(60,244)
Offset against receivables	-	-	-	-
Transfer for offset against receivables or provisions at 31 December	0	0	0	0
Carrying amount at 31 December	0	4,582	0	4,500

Specification of subsidiaries:

Name	Registered office	Ownership	Share capital	Equity	Assets	Revenue	Net profit/loss
NeuroSearch Sweden	Gothenburg	100	*	0	0	0	0
Poseidon Pharmaceutical A/S	Hellerup	100	**	0	0	0	0
NsExplorer A/S	Hellerup	100	**	0	0	0	0

* The subsidiary NeuroSearch Sweden AB was dissolved in June 2017.

** The subsidiaries Poseidon Pharmaceutical A/S and NsExplorer were dissolved at 30 November 2016.

Specification of associates:

Name	Registered office	Ownership	Share capital	Equity	Assets	Revenue	Net profit/loss
NsGene A/S	Ballerup	26.8	***	0	0	0	0

*** NsGene A/S entered into voluntary liquidation on 30 January 2017, and the company was finally liquidated in the second half of 2017. NeuroSearch received proceeds of DKK 4.9 million in the second half of 2017, of which the value of investments was DKK 4.5 million at 31 December 2016. The remaining amount of DKK 0.4 million was recognised as a gain in connection with the liquidation.

Notes to the Financial Statements (DKK thousands)

9 Available-for-sale financial assets	2017	2016	2015
Fair value at 1 January	-	-	-
Fair value adjustment for the year	-	-	-
Fair value at 31 December	0	0	0

Available-for-sale financial assets include the following

Unlisted shares in Atonomics A/S*	-	-	-
Fair value at 31 December	0	0	0

At 9 September 2013, NeuroSearch's shares in Atonomics A/S were reclassified from associated companies to available-for-sale financial assets. The reclassification was made as NeuroSearch no longer has significant influence in the company as a result of ownership interest or board membership. It has not been possible to determine a reliable fair value at the date of reclassification, for which reason reclassification was made at the written-down value of DKK 0. On 15 January 2018, Atonomics filed a petition for bankruptcy, and the shares are considered of no value.

* The fair value determination for Atonomics A/S is at Level 3 of the fair value hierarchy. The valuation models are primarily based on non-observable inputs.

10 Other receivables	2017	2016	2015
Prepaid costs*	378	123	303
Other receivables	77	349	322
Total	455	472	625

* Prepaid costs concern 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.

At 31 December 2017, there were no indications of impairment of other receivables.

11 Cash and cash equivalents	2017	2016	2015
Money market accounts	74,075	74,441	77,868
Total	74,075	74,441	77,868

NeuroSearch is subject to credit risk with respect to bank deposits. The maximum credit risk corresponds to the carrying amount.

The credit risk involved in cash is handled by only collaborating with financial institutions with satisfactory creditworthiness. No significant credit risk is considered to exist in relation to cash as the counterparty is Nordea, which has Moody's ratings of P-1 and Aa3 short-term and long-term, respectively.

Notes to the Financial Statements (DKK thousands)

12	Fees to auditors appointed at the Annual General Meeting	2017	2016
	Audit	205	250
	Tax advice	100	43
	Non-audit services	155	294
	Total	460	587

Fees for non-audit services provided by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab to the Company amount to DKK 255 thousand and comprise general accounting and tax consulting, among other things in connection with sale of rights and winding up of subsidiaries.

13 Related-party transactions

NeuroSearch's related parties

Related parties comprise the Company's Executive Management, Board of Directors, as well as the liquidated subsidiaries and associated company. In addition, Kromann Reumert is considered a related party, as Christian Lundgren, who is a member of our Board of Directors, is a partner in the law firm.

Transactions with related parties

In addition to remuneration for work on the Board of Directors, DKK 358 thousand (2016: DKK 1 million) was paid to Kromann Reumert for work performed for NeuroSearch as the Company's lawyer.

For information on remuneration paid to the members of the Executive Management and the Board of Directors, please see note 2 "Staff".

There were no other transactions with related parties during the year, except proceeds from liquidation of subsidiaries and associated company.

14 Contingent assets, contingent liabilities and commitments

Contingent assets

The Company has an unrecognised potential deferred tax asset of approximately DKK 394 million (2016: DKK 394 million). See note 5 for a breakdown of the tax asset.

Contingent liabilities

No contingent liabilities are incumbent on the Company.

Information regarding takeover of control of NeuroSearch and contractual obligations

The EU Takeover Directive, which has been implemented as part of the Danish Financial Statements Act, includes certain rules requiring listed companies to provide information that may be of interest to the market and potential bidders, in particular in relation to information on change of control clauses.

For information on share capital and ownership, see "Shareholder information" in Management's Review. There are no change-of-control clauses in the contracts with the members of the Executive Management.

15 Financial risks

Based on the financial assets and liabilities, the Company is exposed to certain financial risks, primarily liquidity risks. Company policy is to not actively conduct speculation in financial risks. Accordingly, the Company's financial management exclusively involves the management of financial risks that arise as a direct consequence of the Company's operations and financing. The general framework for the financial risk management is laid down in the annual strategic planning, which takes into account factors such as the scientific, commercial and financial risks. In this connection, reference is made to "Risk management and internal control" in the Management's Review.

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".

The financial risks are assessed regularly by the Company's management and are included in reporting to the Board of Directors. The reporting is focused on cash and treasury management.

Liquidity risk

The Board of Directors has adopted guidelines for the management of the Company's cash and cash equivalents, including securities. The treasury policy describes, among other things, in which securities investments can be made and that the investments must be handled and managed by investment departments of leading Danish banks. Furthermore, the treasury policy provides guidelines on the use of financial instruments. The Board of Directors reviews the document at least once a year to ensure that the guidelines are sound and in line with the Company's operations.

The Board of Directors believes that the Company's capital resources will be sufficient to meet all currently known liabilities.

Notes to the Financial Statements (DKK thousands)
Financial risks (continued)

A breakdown of the Company's aggregate liquidity risk on financial assets and liabilities based on contractual due dates is given below:

Liquidity risk:	<12 months	1-2 years	3-5 years	> 5 years	Total*	Fair value**	Carrying amount
At amortised cost							
Trade and other creditors	1,018	-	-	-	1,018	1,018	1,018
Other liabilities	160	-	-	-	160	160	160
Total financial liabilities at 31 December 2017	1,178	0	0	0	1,178	1,178	1,178
Loans and receivables							
Investments at fair value	-	-	-	-	-	-	-
Other receivables	455	-	-	-	455	455	455
Cash	74,075	-	-	-	74,075	74,075	74,075
Total financial assets at 31 December 2017	74,550	0	0	0	74,550	74,550	74,550
Net total at 31 December 2017	73,372	0	0	0	73,372	73,372	73,372
At amortised cost							
Trade and other creditors	808	-	-	-	808	808	808
Other liabilities	7,230	-	-	-	7,230	7,230	7,230
Total financial liabilities at 31 December 2016	8,038	0	0	0	8,038	8,038	8,038
Loans and receivables							
Investments at fair value	-	-	-	-	-	-	-
Other receivables	474	-	-	-	474	474	474
Cash	74,447	-	-	-	74,447	74,447	74,447
Total financial assets at 31 December 2016	74,921	0	0	0	74,921	74,921	74,921
Net total at 31 December 2016	66,883	0	0	0	66,883	66,883	66,883

* All cash flows are non-discounted and include all liabilities under contracts entered into, including, among other things, future interest payments on loans.

** The fair value of financial liabilities is determined as the discounted cash flows based on the market rates and credit conditions on the balance sheet date.

The Company ensures 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 at 31 December 2017 and 2016.

The investment in Atonomics A/S is included in available-for-sale financial assets. It is not possible at the present time to calculate or estimate the timing of any future cash flows from the shares, for which reason level 3 measurement is applied and the shares have been valued at DKK 0. On 15 January 2018, Atonomics filed a petition for bankruptcy, and the shares are considered of no value.

Notes to the Financial Statements (DKK thousands)

16	Adjustments	2017	2016
	Income from investments in subsidiaries	9,840	(18,289)
	Income from investments in associates	(400)	(4,500)
	Other financial income and expenses	397	389
	Currency adjustment	-	5,523
	Total	9,837	(27,923)

17	Statement of movements in equity	2013	2014	2015	2016	2017
	Share capital at 1 January	24,554	24,554	24,554	24,554	24,554
	Equity issues	-	-	-	-	-
	Capital reduction	-	-	-	-	-
	Share capital at 31 December	24,554	24,554	24,554	24,554	24,554

The total number of shares is 24,553,947 (2016: 24,553,947) with a nominal value of DKK 1 each (2016: DKK 1 per share). All issued shares are fully paid up. All shares carry the same rights.

18	Events after the balance sheet date
	On 15 January 2018, Atonomics A/S filed a petition for bankruptcy, and the shares are considered of no value.
	No additional events have occurred after the end of the financial year that may have a material impact on the Financial Statements.