



Q1 2013 Report

Announcement

25.04.2013

NeuroSearch A/S – Q1 report 2013 and update on the company's activities

The NeuroSearch group (NEUR) posted an operating loss of continuing activities of DKK 12 million (a loss of DKK 22 million in the same period 2012). The operating result of continuing activities after tax was a loss of DKK 16 million (loss of DKK 27 million in the same period 2012).

On 31 March 2013, the company's cash and cash equivalents including securities totalled DKK 68 million (DKK 144 million at 31 March 2012). Securities primarily consist of highly liquid short-term bonds. In addition, Teva Pharmaceutical Industries Ltd. placed DKK 28.7 million in escrow, which will be released on 25 April 2013. Furthermore, payments of approximately DKK 10 million from the sale of the company's laboratory equipment and office furniture in March will be received in April and May 2013.

Important events in Q1 2013 and until today

- At the Extraordinary General Meeting held on 4 January 2013, the company's Board of Directors was changed with the resignation of the then chairman Thomas Hofman-Bang as well as Ian Talmage and Anders Ullman. Attorney-at-law Christian Lundgren was elected to the Board and the Board subsequently elected Allan Andersen as Chairman. The Board of Directors now consists of three shareholder elected and two employee elected members.
- On 4 February 2013, the company announced that the company had signed a conditional agreement regarding the sale of the company's land and building at a cash price of DKK 112.5 million. On 1 March, however, NeuroSearch announced that the buyer had to withdraw from the agreement due to lack of final approval by buyer's Board of Directors.
- On 18 March 2013, NeuroSearch announced an adjustment of the organisation as a consequence of the company's reduced activity level. Dismissed employees will be available to the company for a period after the dismissal. The remaining organisation consists of five employees.
- On 22 March 2013, NeuroSearch announced the completion of a sale of the company's laboratory equipment and office furniture amounting to a total of approximately DKK 10 million.
- On 23 April 2013, NeuroSearch announced that Teva had given notification that the escrow of 28.7 million can be released.

Update on the company's activities

The Board of Directors and the Executive Management are working on realising the value of the other remaining assets in NeuroSearch, the most important being:

The company's land and building:

- The company continues its efforts to sell the land and building in Ballerup, or alternatively to find leaseholder(s)



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Clinical projects:

- Tesofensine for the treatment of obesity (completed phase II)
- Seridopidine for the treatment of CNS diseases (completed phase I)
- Ordopidine for the treatment of CNS diseases (completed phase I)

Ownership in associated companies:

- NsGene: 26.8%
- Atonomics: 17.8%

Licensing agreements:

- Milestone payments from Teva of up to DKK 55 million relating to the Huntexil® development
- Milestone payments and royalties from Aniona

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

Furthermore, NeuroSearch made up a non-recognised tax asset of approximately DKK 2.1 billion at 31 December 2012 which – under certain conditions – may be utilised fully or partly by a potential buyer of NeuroSearch.

NeuroSearch is in dialogue with several companies with a view to investigating the possibility of a merger or similar kind of transaction as an alternative to winding up the company's activities. A merger or similar kind of transaction could bring new activities to the company which would enable continued operations of NeuroSearch. Other alternatives are being evaluated, all with the aim of optimising the value of the remaining assets for the benefit of the shareholders. It is not possible to give any guarantees regarding the outcome of these soundings.

A decision regarding a wind up of the company's activities, merger or other transaction will be presented to the company's shareholders at a future Extraordinary General Meeting as soon as sufficient basis for decision is present.

Financial expectations to 2013

For 2013, NeuroSearch still expects an operating loss of approximately DKK 15 million.

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

Allan Andersen
Chairman of the Board of Directors

René Schneider
CEO

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About NeuroSearch

NeuroSearch A/S (NEUR) is listed on NASDAQ OMX Copenhagen A/S. The company's product pipeline comprises ordopidine and seridopidine, which have both completed phase I studies, as well as tesofensine, which has completed phase II, and NS2359 which has completed phase I. All drug candidates exert their effect in the central nervous system.





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Financial review

Liquidity and capital resources

As of 31 March 2013, cash and cash equivalents including securities totalled DKK 68 million (DKK 144 million in the same period 2012). Securities primarily consist of highly liquid short-term bonds. In addition, Teva placed DKK 28.7 million in escrow, which will be released on 25 April 2013. Furthermore, payments of approximately DKK 10 million from the sale of the company's laboratory equipment and office furniture in March will be received in April and May 2013.

Income statement

An operating loss on continuing activities of DKK 12 million (a loss of DKK 22 million in the same period 2012) was reported. A loss after tax on continuing activities of DKK 16 million was posted (a loss of DKK 27 million in the same period 2012).

Revenue

No revenue has been generated in the period, nor in the same period of 2012.

Costs

Consolidated costs totalled DKK 12 million (DKK 22 million in the same period 2012) of which development costs amounted to DKK 8 million (DKK 19 million in the same period 2012). Development costs primarily relate to wages and salaries and a proportional part of the total fixed costs.

Net financials

Financials amounted to a net expense of DKK 5 million (net expenses of DKK 5 million in the same period 2012).

The group's shares of results of associates – NsGene A/S and Atonomics A/S – are recognised in the income statement as a combined loss of DKK 0 million (a loss of DKK 1 million in the same period 2012).

By the end of the first quarter of 2013, other financials amounted to a loss of DKK 5 million (loss of DKK 4 million in the same period 2012).

Net loss for continuing activities

The result for the period relating to continuing activities was a loss of DKK 16 million (a loss of DKK 27 million in the same period 2012).

Net profit of discontinued operations

The result of the period for discontinued operations was a profit of DKK 10 million (DKK 0 million in the same period 2012). The profit relates to the sale of the company's laboratory equipment and office furniture which was completed by the end of March. NeuroSearch will receive the payments from the sale in April and May.

Balance sheet

By the end of the first quarter 2013, the balance sheet stood at DKK 199 million (DKK 768 million in the same period 2012).

Subsidiaries and associated companies

At 31 March 2013, NeuroSearch held equity interests in the following companies: NeuroSearch Sweden AB (100%), NsExplorer A/S (100%), Poseidon Pharmaceuticals A/S (100%), NsGene A/S (26.8%) and Atonomics A/S (17.8%).

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



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Organisation

NeuroSearch has its head office in Ballerup, Denmark.

At 18 March 2013, NeuroSearch announced coming dismissals, which took place during the following days, as a consequence of the company's reduced activity level. The dismissed employees will be available to the company for a certain period after the dismissals. Hereafter, the remaining organisation will consist of 5 employees.

Total number of employees, including dismissed employees, was 24 as of 31 March 2013.

Financial expectations to 2013

For 2013, NeuroSearch still expects an operating loss of approximately DKK 15 million.

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



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FINANCIAL HIGHLIGHTS AND PER SHARE RATIOS

(DKK million)	GROUP		
	Q1 2013 (3 months)	Q1 2012 (3 months)	2012 (12 months)
Income statement:			
Revenue	-	-	120.7
Development costs	8.2	19.0	457.2
General and administrative costs	3.4	3.1	(46.7)
Operating profit/(loss)	(11.6)	(22.1)	(289.8)
Net financials	(4.5)	(5.0)	(37.2)
Profit/(loss) of continuing activities before taxes	(16.1)	(27.1)	(327.1)
Net profit/(loss) of discontinuing operations	10.1	-	57.4
Profit/(loss) for the period	(6.0)	(27.1)	(275.6)
Total comprehensive income for the period	(3.4)	(20.3)	(243.5)
Balance sheet:			
Total assets	198.6	768.0	207.5
Cash and cash equivalents and securities	**68.2	144.4	81.4
Equity	77.8	297.5	81.1
Investment:			
Investments in tangible assets	-	-	-
Per share ratios (DKK):			
Earnings per share*	(0.24)	(1.11)	(11.22)
Diluted earnings per share	(0.24)	(1.11)	(11.22)
Net asset value	3.17	12.12	3.30
Market price at end of period	3.50	10.00	3.74
Market price/net asset value	1.10	0.83	1.13
Average number of employees			
Average number of employees	27	144	88
Number of employees at the end of period			
Number of employees at the end of period	24	123	29

* Per share of DKK 1 nominal value.

** In addition, Teva placed DKK 28.7 million in escrow, which will be released on 25 April 2013. The escrow is not included in cash and cash equivalents and securities. In addition payments of approximately DKK 10 million from the sale of the company's laboratory equipment and office furniture in March will be received in April and May 2013.

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



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CONDENSED TOTAL INCOME STATEMENT

(DKK million)	GROUP		
	Q1 2013 (3 months)	Q1 2012 (3 months)	2012 (12 months)
Income statement:			
Revenue	-	-	120.7
Development costs	8.2	19.0	457.2
General and administrative costs	3.4	3.1	(46.7)
Total costs	11.6	22.1	410.5
Operating profit/(loss)	(11.6)	(22.1)	(289.8)
Share of profit/(loss) of associates	-	(1.0)	(1.0)
Net other financials	(4.5)	(4.0)	(36.2)
Net profit/(loss) of continuing activities	(16.1)	(27.1)	(327.1)
Profit/(loss) of discontinuing activities	10.1	-	57.4
Net profit/(loss)	(6.0)	(27.1)	(275.6)
Statement of comprehensive income:			
Net profit/(loss)	(6.0)	(27.1)	(275.6)
<i>Other comprehensive income:</i>			
Fair value adjustment of hedging instruments	-	2.4	22.1
Exchange rate adjustment of new investment in foreign subsidiary	2.6	4.9	10.9
Fair value adjustment of hedge of net investment in foreign subsidiary	-	(0.5)	(0.9)
Total other comprehensive income	2.6	6.8	32.1
Total comprehensive income	(3.4)	(20.3)	(243.5)
Earnings per share, DKK	(0.24)	(1.11)	(11.22)
Diluted earnings per share, DKK	(0.24)	(1.11)	(11.22)
Earnings per share, DKK (continuing activities)	(0.65)	(1.11)	(13.56)
Diluted earnings per share, DKK (continuing activities)	(0.65)	(1.11)	(13.56)



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CONDENSED BALANCE SHEET

<i>Balance sheet</i> (DKK million)	GROUP		
	31 March 2013	31 March 2012	31 December 2012
Intangible assets	-	522.3	-
Property, plant and equipment	-	52.4	-
Available-for-sale property, plant and Equipment	111.0	-	111.0
Receivables	19.4	48.9	15.1
Cash and cash equivalents and securities	68.2	144.4	81.4
Total assets	198.6	768.0	207.5
Equity	77.8	297.5	81.1
Non-current liabilities	-	260.5	-
Current liabilities	120.8	210.0	126.4
Total equity and liabilities	198.6	768.0	207.5

CONDENSED CASH FLOW STATEMENT

<i>Cash flow statement</i> (DKK million)	GROUP		
	Q1 2013 (3 months)	Q1 2012 (3 months)	2012 (12 months)
Cash flows from operating activities	(12.4)	(60.0)	(55.8)
Cash flows from investing activities	(0.4)	65.5	166.5
Cash flows from financing activities	(1.1)	(18.6)	(84.1)
Net cash flow	(13.9)	(13.1)	26.7
Unrealised gain/(loss) on securities	0.4	2.3	0.6
Net change in cash and cash equivalents	(13.5)	(10.8)	27.3
Cash and cash equivalents at beginning of period	60.1	32.8	32.8
Cash and cash equivalents at end of Period	46.6	22.0	60.1
Securities at the end of period	21.6	122.4	21.3
Cash and cash equivalents and securities at end of period	*68.2	144.4	81.4

* In addition, Teva placed DKK 28.7 million in escrow, which will be released on 25 April 2013. The escrow is not included in cash and cash equivalents and securities. In addition payments of approximately DKK 10 million from the sale of the company's laboratory equipment and office furniture in March will be received in April and May 2013.

For a breakdown of "cash and cash equivalents" and "securities" as of 31 March 2013, see notes 2 and 3.



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MOVEMENTS IN EQUITY

2013 Group (DKK thousand)	Share capital	Share premium	Currency translation reserve	Other reserves	Retained earnings	Total
Equity at 1 January 2013	24,554	0	21,976	0	34,522	81,052
Total recognised income for the period	-	-	2,631	-	(6,003)	(3,372)
Right issue	-	-	-	-	-	0
Employee warrant programme	-	-	-	-	107	107
Transfer	-	-	-	-	-	0
Equity at 31 March 2013	24,554	0	24,607	0	28,626	77,787

2012 Group (DKK thousand)	Share capital	Share premium	Currency translation reserve	Other reserves	Retained earnings	Total
Equity at 1 January 2012	491,079	0	11,969	(22,071)	(160,345)	320,632
Total recognised income for the period	-	-	4,412	2,362	(27,160)	(20,386)
Reduction of share capital	(466,525)	-	-	-	466,525	0
Right issue	-	(2,819)	-	-	-	(2,819)
Employee warrant programme	-	-	-	-	81	81
Transfer	-	2,819	-	-	(2,819)	0
Equity at 31 March 2012	24,554	0	16,381	(19,709)	276,282	297,508

Share capital

(DKK thousand)	31 March 2012	31 March 2013
Share capital 1 January	491,079	24,554
Capital reduction	(466,525)	-
Share capital 31 March	24,554	24,554



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NOTES

1. Accounting estimates and judgments

Basis of preparation

The interim financial statements contain a condensed of the consolidated financial statements for NeuroSearch A/S. The interim consolidated financial statements are presented in accordance with IAS 34 about interim financial statements and additional Danish interim financial reporting requirements for listed companies.

This interim report has not be audited or reviewed by the company's independent auditor.

Accounting policies

The accounting policies in the interim consolidated financial statements are consistent with those applied in the Annual Report 2012. The Annual Report 2012 has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. For further information please see the Annual Report 2012, pages 20-24.

Estimates and judgments

The preparation of interim consolidated financial statements in accordance with IAS 34 requires the making of estimates and judgments that affect the reporting of assets, liabilities and expenses. The estimates and judgments are reviewed on an ongoing basis. Estimates and judgments are based on historical experience and on various other assumptions which NeuroSearch believes to be reasonable under the circumstances. However, the actual results may differ significantly from the estimates.

The principles used to make estimates and judgments in the interim consolidated financial statements have been consistently applied in the interim financial statements and the Annual Report 2012. The principles are described in the Annual Report 2012 in note 1 to the financial statements (page 30).

2. Cash and cash equivalents

Cash and cash equivalents can be specified as follows:

(DKK million)	31 March 2013	31 March 2012	31 December 2012
Money market accounts	46.6	22.0	60.1
Cash and cash equivalents end of period	46.6	22.0	60.1

NeuroSearch is subject to credit risk with respect to bank deposits. The maximum credit risk corresponds to the carrying amount. The credit risk involved in cash is handled by only collaborating with financial institutions with satisfactory creditworthiness. No credit risk is considered to exist in relation to cash as the counterparties are Nordea and Danske Bank.

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3. Securities

Securities can be specified as follows:

(DKK million)	31 March 2013	31 March 2012	31 December 2012
Danish mortgage bonds	21.6	122.4	21.4
Total securities end of period	21.6	122.4	21.4

4. Treasury shares

(DKK thousand)	Number of Shares	Nominal value	Percentage of share capital	Market value DKK million
1 January 2013	265,946	265,946	1.08	1,0
Adjustments	-	-	-	(0.1)
Treasury shares at 31 March 2013	265,946	265,946	1.08	0.9



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MANAGEMENT STATEMENT

The Board of Directors and Executive Management today considered and approved the interim report for the period 1 January to 31 March 2013. The interim report has not been audited or reviewed by the company's independent auditor.

The interim report which contains an abstract of the full consolidated financial statement for NeuroSearch A/S is presented in accordance with IFRS as adopted by the EU, IAS 34 and additional Danish interim financial reporting requirements for listed companies.

We consider the accounting policies to be appropriate and the overall presentation in the interim report to be adequate.

Therefore, in our opinion, the interim report gives a true and fair view of the Group's assets and liabilities and financial position as at 31 March 2013 and of the results of operations and cash flows for the period 1 January to 31 March 2013. Furthermore, in our opinion, the management report gives a true and fair statement of the developments in the Group's activities and financial affairs, as well as a description of the significant risks and uncertainties the Group faces.

Copenhagen, 25 April 2013

Executive Management

René Schneider
CEO

Board of Directors

Allan Andersen
Chairman

Christian Lundgren

Torbjörn Bjerke

Lars Siim Madsen

Morten Henrik Nielsen
