NEUROSEARCH

Announcement
25 August 2011

NeuroSearch A/S – H1 Report 2011

The Board of Directors of NeuroSearch A/S (NEUR) today considered and adopted the company's interim report for the six months ended 30 June 2011. An operating loss of DKK 143 million was reported for the period (H1 2010: a loss of DKK 168 million).

The loss after tax was DKK 148 million (H1 2010: a loss of DKK 120 million). Net financials for the period amounted to DKK 5 million (H1 2010: net income of DKK 19 million).

As of 30 June 2011, the company's cash and cash equivalents including securities totalled DKK 352 million. Securities primarily consist of highly liquid short-term bonds. In addition, NeuroSearch will receive a total of DKK 54 million in payments for staff working on projects under the alliance with Janssen. Moreover, the company has unused credits of DKK 15 million.

In this interim report, the company publishes for the first time segment information for its two businesses: Specialty Pharma and NsDiscovery. Specialty Pharma is the company's specialty pharma business focused on completing the development and marketing of Huntexil®. NsDiscovery is managing the company's early drug discovery, out-licensing of product candidates targeting non-specialist indications and the company's partnerships.

Specialty Pharma reported an operating loss of DKK 90 million for the period (H1 2010: a loss of DKK 112 million), which was primarily related to the development of Huntexil® and related employees in the drug development organisation, research activities on early projects as well as a relative share of group administrative and infrastructure costs.

NsDiscovery reported an operating loss of DKK 53 million for the period (H1 2010: a loss of DKK 56 million), primarily related to revenue and cost from the Lilly and Janssen agreements and related employees in the research organisation, as well as a relative share of group administrative and infrastructure costs.

Outlook for 2011
For the full year 2011, NeuroSearch adjusts its guidance to an operating loss of approximately DKK 300 million against the previous guidance of a loss of approximately DKK 325 million. The improvement is primarily due to lower-than-expected development costs for Huntexil®.

Important events in Q2

- NeuroSearch announced that the FDA's and the EMA's scientific advice regarding the clinical development programme for Huntexil® stated that a new Phase III study will be necessary to support an application for marketing approval. Both regulatory authorities have supported the use of total motor score (TMS) as the primary endpoint. The Phase IIb and III studies HART and MermaiHD have shown significant improvement of TMS in patients with Huntington's disease undergoing treatment with Huntexil®. The details of the development programme will be finalised and announced in Q3 2011.

- The first patient from the HART Phase IIb clinical study was enrolled in the Open HART safety extension study. Open HART was planned and initiated at the request of patients who had completed the HART study and expressed a desire to continue treatment with Huntexil®. As of 22 August 2011, 78 patients had enrolled in the Open HART study.

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- The compassionate use program, that followed the six-month open-label extension of the MermaiHD study, currently includes 129 patients receiving Huntexil®.

- NeuroSearch announced the conclusions of the scientific advice from the FDA and the EMA regarding the development programme for tesofensine for the treatment of overweight and obesity. This clarified the framework for a Phase III development programme for the period until registration. NeuroSearch is looking for a partner for the completion of the development and commercialisation of tesofensine.

- In May, NeuroSearch extended the existing partnership agreement with Janssen until August 2013. The total payments to NeuroSearch under the agreement are unchanged.

Events after the balance sheet date

- On 7 July 2011, NeuroSearch sold its 30.1% stake in Sophion Bioscience A/S when Biolin Scientific AB took over full ownership of Sophion. The company's proceeds amount to approximately DKK 40 million, of which DKK 37 million are expected to be received in Q3 2011 and the remaining DKK 3 million before the end of 2012. The proceeds will affect net financials in the Q3 income statement with approximately DKK 32 million recognised as income from the divestment of an associated company.

- Preliminary data for seridopidine and ordopidine has revealed a metabolite which requires further toxicological studies. NeuroSearch therefore postpones Proof of Concept studies until 2012. These findings do not influence the ongoing development of Huntexil®.

Patrik Dahlen
CEO

Telephone conference

NeuroSearch will host a telephone conference today at 3.00 pm CET (2 pm UK time, 9 am New York time) at which the interim report for the six months ended 30 June 2011 will be reviewed. Patrik Dahlen, CEO, and René Schneider, EVP & CFO, will participate in the conference, which will be conducted in English and with access via the following telephone numbers: UK and international +44 207 509 5139, US +1 718 354 1226 and Denmark +45 3271 4767. The conference call can also be accessed via the company's website www.neurosearch.com.

The corresponding presentation will be available at the company's website just prior to the teleconference.

Contact persons

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About NeuroSearch

NeuroSearch A/S is a European-based biopharmaceutical company listed on NASDAQ OMX Copenhagen A/S (NEUR) and specialising in central nervous system (CNS) disorders. The company consists of two independent businesses. Specialty Pharma is the company's specialty pharma business focused on completing the development and marketing of Huntexil®, a unique drug in Phase III for the treatment of the motor symptoms of Huntington's disease. NsDiscovery is managing the company's early drug discovery and research, out-licensing of product candidates targeting non-specialist indications, and the company's partnerships. The company has strategic research and development alliances with Janssen and Lilly as well as a licence agreement with Abbott.

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MANAGEMENT REPORT

In January 2011, the company announced an organisational restructuring that was made to pursue the strategic goal of becoming a profitable CNS specialty pharma company and to allocate optimal resources to the completion of the development and the marketing of Huntexil®.

In the restructuring, two independent businesses were established. Specialty Pharma is the company's specialty pharma business focused on completing the development and later marketing of Huntexil®. NsDiscovery is managing the company's early drug discovery and research, out-licensing of product candidates targeting non-specialist indications, and the company's partnerships.

Specialty Pharma

The Specialty Pharma pipeline includes three new drug candidates that are currently in clinical development as well as two preclinical product candidates.

Product	Indication	Mechanism of action	Partner	Phase	PC	I	II	III	Reg.
Huntexil®	Huntington's disease	Dopidine		Phase III					
Seridopidine	Movement disorders	Dopidine		Phase I					
Ordopidine	Movement disorders	Dopidine		Phase I					
NSD-726	Inflammatory CNS diseases	Ion channel modulator		Preclinical					
NSD-801	Ataxias	Ion channel modulator		Preclinical					

Huntexil®

Huntexil® is under development by NeuroSearch as a unique and novel drug with potential to become a frontrunner in the treatment of Huntington's disease. As Huntexil® is the company's primary product candidate, for which the details of a new Phase III study will be announced in Q3 2011, NeuroSearch presents in this interim statement a consolidated report on the clinical development and market potential of Huntexil®.

Treatment of Huntington's disease with Huntexil®

Huntington's disease is a devastating illness for which no cure exists. While an array of drugs are used off-label in the indication, the scientific evidence for their usefulness is scarce. Only one drug is registered specifically in Huntington's disease and for the treatment of chorea only.

To date there is no evidence-based drug for improvement of overall and/or voluntary motor function in Huntington's disease patients. Huntexil®, also known as pridopidine, is the first drug in a new class called the dopidines, which act as a dopaminergic stabiliser. In two large, independent clinical trials, Huntexil® has shown a statistically significant improvement of patients' overall motor function measured on the total motor scale (TMS).

Huntexil® appears to be safe and well-tolerated in the doses tested, and no treatment-related decline in other domains, such as cognition or behavioural symptoms, have been detected. Hence, Huntexil® represents a unique opportunity to make a significant contribution to the treatment options for Huntington's disease.

Huntington's disease

Patients with Huntington's disease experience a wide variety of symptoms typically grouped into three categories: motor, cognitive and psychiatric, often referred to as the "symptoms triad". The motor symptoms include both loss of voluntary movements (parkinsonism, dystonia, gait and balance problems and later swallowing difficulties) and also involuntary movements (hyperkinesias, including chorea, muscle spasms and tics).

The motor symptoms have large negative impact on daily living, such as difficulties in maintaining a job, need for extensive care and social isolation.

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Prevalence and number of patients
Due to the nature of the symptoms and the stigmatisation related thereto, the prevalence of Huntington's disease is widely believed to be underreported. There is also an ethnic variability with very few cases in Asian populations and the highest prevalence reported among Caucasians with up to 12.4 per 100,000 (Rawlins M. Lancet 2010;376:1372-3). Patient organisations like Huntington's Disease Society of America (HDSA) and European Huntington's Disease Network (EHDN) generally state a prevalence of 1 per 10,000 in North America and Europe.

NeuroSearch has estimated a patient population of approximately 35,000 in North America, 45,000 in Europe and 30,000 in Rest of the World based on the above assumptions and the respective population sizes.

Clinical results
In order to investigate the efficacy and safety of Huntexil®, the two largest studies ever undertaken in Huntington's disease were conducted:

- The MermaiHD study was a randomised, double-blind and placebo-controlled Phase III study enrolling 437 patients in eight European countries who were treated for 26 weeks with Huntexil® (45 mg once or twice daily)

- The HART study was a randomised, double-blind and placebo-controlled Phase IIb study in which 227 patients in the United States and Canada were treated for 12 weeks with Huntexil® (10, 22.5 or 45 mg twice daily)

The endpoints were the same in the MermaiHD and HART studies, with the modified motor score (mMS) as the primary endpoint and the total motor score (TMS) among the other endpoints. The TMS is a scale that measures the total motor function in Huntington patients, and it is the most commonly used scale to assess movement disorders related to the disease. The mMS is a score measuring voluntary motor function in Huntington patients and is a subset of the components from the TMS.

Clinical study results

	mMS	TMS
MermaiHD	1.0 (p = 0.042)	3.0* (p = 0.004)
HART	1.2 (p = 0.078)	2.8* (p = 0.039)

* Significant effect

The results from the HART and MermaiHD studies did not meet the primary endpoint, the mMS, but both showed a strong tendency towards a treatment effect of Huntexil®. The studies also showed that treatment with Huntexil® provides a statistically significant improvement of the patients' motor function measured on the TMS and the HART study furthermore demonstrated a dose-response relationship.

Both studies showed that Huntexil® is safe and well-tolerated, and with the results from the MermaiHD and the HART studies, a beneficial effect on Huntington patients' motor symptoms has been demonstrated for the first time without a concurrent deterioration of other symptoms.

In the course of the development programme, a total of 14 clinical studies of Huntexil® have been conducted, and together with the open-label extension of the MermaiHD study, the continuing compassionate-use programme and the open-label HART extension, 621 Huntington patients (and in total 822 individuals) have received Huntexil® with the equivalent of more than 300 patient years of exposure.

Planned clinical programme
NeuroSearch reported in June 2011 that the FDA's and the EMA's scientific advice regarding the clinical development programme for Huntexil® stated that a new Phase III study will be necessary to support an application for marketing approval. Furthermore, the regulatory authorities have supported the choice of the total motor score (TMS) as the primary endpoint. Additional endpoints

for the evaluation of clinical relevance will be included to describe the overall benefit/risk assessment.

It is expected that the development programme will consist of several studies, the main one being the Phase III efficacy study. The details of the programme will be finalised and announced in the course of Q3 2011.

Competitive assessment
There is no cure or effective treatment for Huntington's disease, and Huntexil® is the first compound to address the debilitating motor symptoms. Physicians frequently prescribe various medications off label, e.g. antipsychotics and antidepressants, in an attempt to control movement and psychiatric problems. These drugs have limited effect and are associated with undesirable adverse effects. Tetrabenazine (Xenazine®) is currently the only approved drug for Huntington's disease, and for the treatment of chorea only. As such, the market is underserved with a high unmet medical need.

A competitor pipeline analysis reveals about 30 products in research and development. Of these only very few are being evaluated in clinical studies and the primary symptoms addressed are non-motor functions or neuroprotection.

Commercialisation
NeuroSearch holds all the commercial rights to Huntexil®, which has been granted orphan drug designation by both the US and European health authorities. This status implies that NeuroSearch has exclusivity on those markets for seven and ten years respectively from the time of approval.

The company's primary goal is to retain commercial rights to Huntexil® and undertake in-house marketing and sales of the drug in selected markets. As a result, NeuroSearch has built a small marketing organisation to prepare and plan for the launch and marketing of Huntexil®. Assuming the results of the new Phase III study support submissions for marketing authorisation and commercialisation, NeuroSearch intends to start building an actual sales force.

In Europe, NeuroSearch plans to submit a Marketing Authorisation Application (MAA) for Huntexil® to the EMA through the centralised procedure. Subject to a successful outcome of the new Phase III study, a pre-submission meeting with the EMA would take place, at which the contents of the MAA would be discussed, including the potential product labelling.

In the USA, NeuroSearch intends to pursue a similar approach as in Europe, including requesting a meeting with the FDA following completion of the new Phase III study. NeuroSearch plans to apply for marketing authorisation for Huntexil® in other selected markets after the submissions for registration in Europe and the USA.

Neurologists are the main physicians treating Huntington's disease patients. In the USA, there are about 50 Huntington Study Group Centres. These centres are equipped to perform clinical trials, treat patients and are placed where the majority of external experts operate. A similar setting is also available in Europe under the European Huntington's Disease Network (EHDN) which consists of about 140 centres across the European countries. Given the relatively small number of treatment centres, NeuroSearch believes that a sales force of about 30 sales representatives in total would suffice to address the treatment centres in order to optimise return on sales.

Pricing
NeuroSearch regards Huntexil® as a unique therapy in an orphan indication and expects the pricing of Huntexil® to be at least at the level of tetrabenazine (Xenazine®).

To support the commercial strategy, NeuroSearch and University of Lyon have initiated the first ever HD cost-of-illness study (the Euro-HDB study). The study aims to document the societal costs of Huntington's disease and to identify the primary cost drivers. The results from this study will be included in the documentation related to the pricing and reimbursement negotiations with payers.

The study currently covers the UK, Germany, Italy, France, Poland, Portugal, Spain and Sweden with a recent expansion to cover the USA and Australia.

Seridopidine and ordopidine
Seridopidine and ordopidine are dopaminergic stabilisers belonging to the chemical class of dopidines.

Both compounds have been evaluated in clinical Phase I studies to investigate the safety, tolerability and pharmacokinetic profile after oral administration. The results were satisfactory, showing an acceptable safety margin for both compounds.

Additionally, seridopidine and ordopidine have recently been evaluated in clinical pharmacokinetic studies. Preliminary data has revealed a metabolite for both seridopidine and ordopidine which require further toxicological studies. NeuroSearch therefore postpones Proof of Concept studies with seridopidine and ordopidine until 2012.

These findings do not influence the ongoing development of Huntexil®, which also belongs to the chemical class of dopidines for which the metabolite profile has been fully characterised.

NSD-726 and NSD-801
NSD-726 and NSD-801 are ion channel modulators which have both been identified in drug discovery programmes under NsDiscovery and have been transferred to Specialty Pharma for clinical development for specialist indications.

NSD-726 blocks a specific ion channel in the immune cells of the brain, called microglia cells. It is assumed that an excessive activity level of microglia cells plays a significant role in several neurological disorders, including Huntington's disease. Laboratory trials have demonstrated that the growth of microglia cells and the formation of neurotoxic substances are inhibited when this specific ion channel is blocked.

Preclinical tests also indicate a promising neuroprotective effect through this mechanism of action, and NeuroSearch is now studying the disease-modifying potential of NSD-726.

NSD-801 is a drug, which modulates an ion channel that represents a new mechanism for the treatment of movement disorders, especially ataxia. The cerebellum controls the coordination of muscles and the nerve system in the cerebellum of ataxia patients develops atypical and imprecise activity that causes symptomatic ataxia, which can gradually lead to nerve death. The modulation of a specific ion channel by NSD-801 normalises the activity in connection with the formation of nerve impulses and potentially also protects these nerve cells from dying. NeuroSearch is now studying the potential of the compound in preclinical ataxia models.

NsDiscovery
NsDiscovery was established in connection with the organisational restructuring in January 2011 and is based on the company's drug discovery platform within ion channels and CNS disorders. The activities comprise the company's early drug discovery, out-licensing of product candidates targeting non-specialist indications and the company's partnerships, currently comprised of alliances with Janssen and Lilly and a licence agreement with Abbott.

Research and development alliances with Lilly and Janssen
Most of the costs of NsDiscovery and most of the employees of this business are related to the alliances with Lilly and Janssen.

The agreement with Lilly was signed for a three-year period in February 2009 covering a study of the potential of a defined number of non-published ion channel targets for the treatment of various CNS disorders. The aim of the alliance is to discover and develop novel drugs based on new knowledge regarding specific ion channel modulation. As stated in the Q1 2011 interim report, this activity has been focused on fewer drug discovery and development programmes compared to when the alliance started. Lilly has paid the full amount of the agreement of USD 30 million to

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NeuroSearch for employees working on projects under the alliance, including an equity investment of USD 17 million when the agreement was signed.

The partnership with Janssen was initiated in August 2009 as a three-year agreement which was extended by one year in May 2011 until August 2013. The total payments to NeuroSearch under the agreement are unchanged. Under the Janssen agreement, NeuroSearch and Janssen will collaborate to discover and develop new drugs to treat CNS diseases based on their expertise in this field. The agreement produces a total of EUR 32 million of revenue to NeuroSearch for employees working on projects under the alliance. NeuroSearch has already received EUR 25 million of this amount, including an equity investment of EUR 15 million when the agreement was signed.

Drug candidates
The portfolio of drug candidates in NsDiscovery is aimed for or already under development in collaboration with partners.

Product	Indication	Mechanism of action	Partner	Phase	PC	I	II	III	Reg.
Tesofensine	Obesity	MRI		Ready for Phase III					
ABT-894	ADHD	NNR modulator	Abbott	Phase II					
ABT-560	CNS diseases	NNR modulator	Abbott	Phase I					
NSD-788	Anxiety/depression	MRI		Phase I					
NSD-721	Social anxiety disorder	GABA modulator		Phase I					

Tesofensine
Tesofensine has demonstrated a placebo-adjusted weight loss of approximately 10% in a six-month Phase II study which also showed a minor increase in blood pressure and pulse at therapeutic dosing levels.

Following these results, NeuroSearch elected to obtain scientific advice from the FDA and the EMA, the conclusions of which were published in May 2011. On the basis of these interactions, NeuroSearch has designed a Phase III programme comprising two one-year efficacy studies and a safety study that will take more than two years. The latter study will comprise 5-7,000 patients.

NeuroSearch considers tesofensine an effective drug candidate for the treatment of overweight and obesity, but the company has decided not to invest in the programme in-house. Clarity has now been established around the Phase III programme for a potential partner.

ABT-894
ABT-894 is a nicotinic receptor $\alpha_4\beta_2$ subtype selective agonist. The compound is being developed under a licence agreement with Abbott as a new treatment of ADHD. Under the licence agreement, Abbott is responsible for and funds all clinical development, production and marketing, and NeuroSearch is entitled to milestone payments as well as royalty payments from future global sales.

ABT-560
ABT-560 also selectively targets the nicotinic receptor subtype $\alpha_4\beta_2$. The compound stems from an earlier drug discovery partnership between NeuroSearch and Abbott. Under the licence agreement with NeuroSearch, Abbott has evaluated this drug candidate in Phase I studies with a view to the future development of the product for the treatment of cognitive disorders related to various CNS disorders.

NSD-788
NSD-788 is a monoamine reuptake inhibitor which NeuroSearch has evaluated in Phase I studies showing that the compound has a good safety profile. NeuroSearch is seeking a partner for the further development of NSD-788 within treatment-resistant depression.

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NSD-721

NSD-721 is the first drug candidate from the company's drug discovery programme with selective GABA receptor modulators with potential as anxiety-reducing drugs without the side effects that characterise existing anxiolytics.

Results from a Phase I study show that the compound is well-tolerated, and NeuroSearch is looking for a partner for the further development of the compound. This process includes evaluation of the potential of the compound for psychiatric specialist indications.

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MANAGEMENT STATEMENT

The Board of Directors and Executive Management today considered and approved the interim report for the period 1 January to 30 June 2011. 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 consoldiated 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 of 30 June 2011 and of the results of operations and cash flows for the period 1 January to 30 June 2011. 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.

Ballerup, 25 August 2011

Executive Management

Patrik Dahlen
CEO

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Board of Directors

Thomas Hofman-Bang Chairman	Allan Andersen	Torbjörn Bjerke
_____	_____	_____
Anders Ullman	Ian Talmage	Torben Skov
_____	_____	_____
Lars Siim Madsen	Mads Peder Gersdorff Korsgaard	
_____	_____	

Financial review

Liquidity and capital resources
As of 30 June 2011, cash and cash equivalents including securities totalled DKK 351.5 million (DKK 666.1 million in the same period 2010). Securities primarily consist of highly liquid short-term bonds. In addition, NeuroSearch has contingent future payments from staff working on projects under the alliance with Janssen of DKK 54.2 million and unused credits of DKK 14.9 million.

Income statement
An operating loss of DKK 142.5 million (a loss of DKK 168.0 million in the same period 2010) was reported. A loss after tax of DKK 147.5 million was posted (a loss of DKK 120.2 million in the same period 2010).

Revenue
The revenue for the period 1 January to 30 June 2011 of DKK 34.6 million (DKK 34.8 million in the same period 2010) mainly consisted of revenue from the collaboration agreements with Lilly and Janssen, which will be recognised during the terms of the agreements.

Costs
Consolidated costs totalled DKK 177.1 million (DKK 202.8 million in the same period 2010) of which development costs amounted to DKK 59.6 million (DKK 85.3 million in the same period 2010). The development costs were primarily attributable to the Huntexil® development programme. Research costs amounted to DKK 92.7 million (DKK 95.9 million in the same period 2010) and general and administrative costs for the period were DKK 24.8 million (DKK 21.6 million in the same period 2010).

In connection with the restructuring of NeuroSearch announced in January this year, a one-off charge of DKK 11.2 million is included in total costs. This primarily relates to the costs incurred with respect to employees who left the company.

Net financials
Financials amounted to a net expense of DKK 5.0 million (a net income of DKK 19.4 million in the same period 2010).

The Group's shares of results of associates – NsGene A/S, Sophion Bioscience A/S and Atonomics A/S – are recognised in the income statement as a combined loss of DKK 3.9 million (a loss of DKK 1.1 million in the same period 2010).

In H1 2011, financial expense was DKK 1.1 million (an income of DKK 20.5 million in the same period 2010), comprising interest expense for the company's property and lease payments of DKK 5.0 million (DKK 5.4 million in the same period 2010), foreign exchange income of DKK 1.0 million (an income of DKK 1.3 million in the same period 2010), an income of fair value adjustment of financial assets of DKK 1.5 million (an income of DKK 27.6 million in the same period 2010) and an income of the financial element of contingent consideration relating to NeuroSearch Sweden AB of DKK 1.4 million (expense of DKK 3.0 million in the same period 2010).

Balance sheet
The balance sheet stood at DKK 1,224.2 million at 30 June 2011 (DKK 1,539.2 million in the same period 2010).

In H1 2011, the Group invested DKK 1.8 million in tangible assets (DKK 4.0 million in the same period 2010) and DKK 1.8 million in associates (DKK 2.7 million in the same period 2010).

Segment reporting
Specialty Pharma: Consolidated costs totalled DKK 89.5 million (DKK 111.9 million in the same period 2010) and was primarily related to the development of Huntexil® and related employees in the drug development organisation, as well as a relative share of group administrative and infrastructure costs. In addition, NeuroSearch has incurred costs for the development of earlier

clinical projects and research activities conducted at the company's site in Sweden. A one-off charge of DKK 5.1 million is related to the restructuring of NeuroSearch as announced in January this year. This primarily relates to the costs incurred with respect to employees who left the company.

NsDiscovery: The revenue for the period 1 January to 30 June 2011 of DKK 34.6 million (DKK 34.7 million in the same period 2010) consisted of revenue from the collaboration agreements with Lilly and Janssen, which will be recognised during the terms of the agreements. Consolidated costs totalled DKK 87.6 million (DKK 90.9 million in the same period 2010) which was primarily related to research activities under the Lilly and Janssen agreements and related employees in the research organisation, as well as a relative share of group administrative and infrastructure costs. A one-off charge of DKK 6.1 million is related to the restructuring of NeuroSearch as announced in January this year. This primarily relates to the costs incurred with respect to employees who left the company.

Subsidiaries and associated companies
At 30 June 2011, 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 (18.9%). In addition NeuroSearch held an equity interest in Sophion Bioscience A/S, which was sold at the begining of July 2011.

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

Organisation
NeuroSearch has its head office in Ballerup, Denmark, and the total number of employees for the group was 199 as of 30 June 2011.

Other events
In May, NeuroSearch extended the ongoing collaboration with Janssen until August 2013. The extension will not influence the total number of NeuroSearch scientists working within the alliance, and the financial terms (total fixed payments, as well as milestones and royalties) remain unchanged. NeuroSearch entered into the alliance with Janssen in August 2009. The collaboration builds on joint expertises in neuroscience drug discovery and development.

Events after the balance sheet date
On 7 July 2011, NeuroSearch sold its 30.1% stake in Sophion Bioscience A/S when Biolin Scientific AB took over full ownership of Sophion. The company's proceeds amount to approximately DKK 40 million, of which DKK 37 million are expected to be received in Q3 2011 and the remaining DKK 3 million before the end of 2012. The proceeds will affect net financials in the Q3 income statement with approximately DKK 32 million recognised as income from the divestment of an associated company.

Outlook for 2011
For the full year 2011, NeuroSearch adjusts its guidance to an operating loss of approximately DKK 300 million against the previous guidance of a loss of DKK 325 million. The improvement is primarily due to lower-than-expected development costs for Huntexil®.

FINANCIAL HIGHLIGHTS AND PER SHARE RATIOS

(DKK million)	GROUP				
	Q2 2011 (3 months)	Q2 2010 (3 months)	H1 2011 (6 months)	H1 2010 (6 months)	2010 (12 months)
Income statement:					
Revenue	18.4	17.3	34.6	34.8	69.3
Research costs	43.5	52.0	92.7	95.9	202.4
Development costs	19.3	40.3	59.6	85.3	153.5
Operating profit/(loss)	(60.5)	(87.6)	(142.5)	(168.0)	(328.0)
Net financials	5.7	10.7	(5.0)	19.4	21.8
Profit/(loss) before taxes	(54.8)	(76.9)	(147.5)	(148.6)	(306.2)
Net profit/(loss) for the period	(54.8)	(63.3)	(147.5)	(120.2)	(259.0)
Statement of comprehensive income:					
Other comprehensive income	(19.1)	3.6	(12.3)	25.1	42.3
Total comprehensive income for the period	(73.9)	(59.7)	(159.8)	(95.1)	(216.7)
Balance sheet:					
Total assets			1,224.2	1,539.2	1,391.5
Cash and cash equivalents and securities			**351.5	666.1	480.6
Equity			846.6	1,109.0	994.1
Investments in tangible assets	0.6	1.9	1.8	4.0	10.8
Per share ratios (DKK):					
Earnings per share*	(2.23)	(2.58)	(6.01)	(4.91)	(10.56)
Diluted earnings per share	(2.23)	(2.58)	(6.01)	(4.91)	(10.56)
Net asset value			34.48	45.17	40.49
Market price at end of period			45.0	90.0	95.0
Market price/net asset value			1.31	1.99	2.35
Average number of employees			193	230	235

* Per share of DKK 20 nominal value.
** Capital resources, including contingent payments for staff working on projects under the alliance with Janssen of DKK 54.2 million and unused credits of DKK 14.9 million, total DKK 420.6 million.

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

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CONDENSED STATEMENT OF TOTAL RECOGNISED INCOME AND EXPENSES

(DKK million)	GROUP				
	Q2 2011 (3 months)	Q2 2010 (3 months)	H1 2011 (6 months)	H1 2010 (6 months)	2010 (12 months)
Income statement:					
Revenue	18.4	17.3	34.6	34.8	69.3
Research costs	43.5	52.0	92.7	95.9	202.4
Development costs	19.3	40.3	59.6	85.3	153.5
General and administrative costs	16.1	12.6	24.8	21.6	41.4
Total costs	78.9	104.9	177.1	202.8	397.3
Operating profit/(loss)	**(60.5)**	**(87.6)**	**(142.5)**	**(168.0)**	**(328.0)**
Share of profit/(loss) of associates	(1.2)	1.3	(3.9)	(1.1)	(1.6)
Net other financials	6.9	9.4	(1.1)	20.5	23.4
Tax on income	-	13.6	-	28.4	47.2
Net profit/(loss)	**(54.8)**	**(63.3)**	**(147.5)**	**(120.2)**	**(259.0)**
Statement of comprehensive income:					
Net profit/(loss)	(54.8)	(63.3)	(147.5)	(120.2)	(259.0)
Other comprehensive income:					
Fair value adjustment of hedging instruments	(3.4)	(2.9)	(1.9)	(4.4)	(2.1)
Exchange rate adjustment of new investment in foreign subsidiary	(15.2)	9.2	(12.6)	37.4	58.9
Fair value adjustment of hedge of net investment in foreign subsidiary	(0.5)	(2.7)	2.2	(7.9)	(14.5)
Total other comprehensive income	**(19.1)**	**3.6**	**(12.3)**	**25.1**	**42.3**
Total comprehensive income	**(73.9)**	**(59.7)**	**(159.8)**	**(95.1)**	**(216.7)**
Earnings per share, DKK	**(2.23)**	**(2.58)**	**(6.01)**	**(4.91)**	**(10.56)**
Diluted earnings per share, DKK	**(2.23)**	**(2.58)**	**(6.01)**	**(4.91)**	**(10.56)**

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CONDENSED BALANCE SHEET

(DKK million)	GROUP		
	30 June 2011	30 June 2010	31 December 2010
Intangible assets	639.0	645.4	669.6
Property, plant and equipment	195.6	201.3	200.9
Investments	3.1	7.5	9.6
Receivables	35.0	18.9	30.8
Cash and cash equivalents and securities	351.5	666.1	480.6
Total assets	**1,224.2**	**1,539.2**	**1,391.5**
Equity	846.6	1,109.0	994.1
Non-current liabilities	194.0	160.1	203.9
Current liabilities	183.6	270.1	193.5
Total equity and liabilities	**1,224.2**	**1,539.2**	**1,391.5**

CONDENSED CASH FLOW STATEMENT

(DKK million)	GROUP		
	H1 2011 (6 months)	H1 2010 (6 months)	2010 (12 months)
Cash flows from operating activities	(130.2)	(180.9)	(358.5)
Cash flows from investing activities	110.3	140.3	307.6
Cash flows from financing activities	8.7	33.2	48.5
Net cash flow	**(11.2)**	**(7.4)**	**(2.4)**
Unrealised gain/(loss) on securities	(4.0)	13.3	(0.3)
Net change in cash and cash equivalents	(15.2)	5.9	(2.7)
Cash and cash equivalents at beginning of period	26.3	28.7	28.7
Foreign exchange adjustments of cash and cash equivalents	-	0.2	0.3
Cash and cash equivalents at end of period	11.1	34.8	26.3
Securities at the end of period	340.4	631.3	454.3
Cash and cash equivalents and securities at end of period	***351.5**	**666.1**	**480.6**

* Capital resources, including contingent payments for staff working on projects under the alliance with Janssen of DKK 54.2 million and unused credits of DKK 14.9 million, total DKK 420.6 million.

For a breakdown of “cash and cash equivalents” and “securities” as of 30 June 2011, see notes 3 and 4.

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MOVEMENTS IN EQUITY

2011 GROUP (DKK million)	**Share capital**	**Share premium**	**Currency translation reserve**	**Other reserves**	**Retained earnings**	**Total**
Equity at 1 January 2011	491.1	0	9.3	(3.0)	496.7	994.1
Total recognised income for the period	-	-	(10.4)	(1.9)	(147.5)	(159.8)
Employee warrant programme	-	-	-	-	12.3	12.3
Transfer	-	-	-	-	-	0
Equity at 30 June 2011	**491.1**	**0**	**(1.1)**	**(4.9)**	**361.5**	**846.6**

2010 GROUP (DKK million)	Share capital	Share premium	Currency translation reserve	Other reserves	Retained earnings	Total
Equity at 1 January 2010	487.6	0	(35.1)	(0.9)	722.2	1,173.8
Total recognised income for the period	-	-	29.5	(4.4)	(120.2)	(95.1)
Employee warrant programme	3.5	23.6	-	-	3.2	30.3
Transfer	-	(23.6)	-	-	23.6	0
Equity at 30 June 2010	**491.1**	**0**	**(5.6)**	**(5.3)**	**628.8**	**1,109.0**

NOTES

1. Accounting estimates and judgements

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 2010 except for supplement of accounting policies for segment reporting, which has been described in connection with the segment reporting in note 2. The Annual Report 2010 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 2010, pages 42-45.

Estimates and judgements
The preparation of interim consolidated financial statements in accordance with IAS 34 requires the making of estimates and judgements that affect the reporting of assets, liabilities and expenses. The estimates and judgements are reviewed on an ongoing basis. Estimates and judgements 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 judgements in the interim consolidated financial statements have been consistently applied in the interim financial statements and the Annual Report 2010. The principles are described in the Annual Report 2010 in note 1 to the financial statements (page 50).

2. Segment reporting

GROUP (DKK million)	H1 2011			H1 2010			2010		
	Specialty Pharma	NsDiscovery	Total	Specialty Pharma	NsDiscovery	Total	Specialty Pharma	NsDiscovery	Total
Income statement:									
Revenue	-	34.6	34.6	0.1	34.7	34.8	0.1	69.2	69.3
Total costs	89.5	87.6	177.1	111.9	90.9	202.8	218.4	178.9	397.3
Operating profit/(loss)	(89.5)	(53.0)	(142.5)	(111.8)	(56.2)	(168.0)	(218.3)	(109.7)	(328.0)
Non-current assets:									
Intangible assets	636.9	2.1	639.0	641.9	3.5	645.4	666.8	2.8	669.6
Tangible assets	165.3	30.3	195.6	166.3	35.0	201.3	166.8	34.1	200.9
Non-current liabilities:									
Deferred tax	-	-	0	11.0	-	11.0	-	-	0
Contingent consideration	94.4	-	94.4	119.3	-	119.3	116.8	-	116.8
Investments:									
Investments in intangible assets	-	-	0	-	0.8	0.8	-	0.8	0.8
Investments in tangible assets	1.0	0.8	1.8	0.7	3.3	4.0	3.7	7.1	10.8
Amortisation and depreciations:									
Intangible assets	0.2	0.7	0.9	1.0	0.7	1.7	1.8	1.4	3.2
Tangible assets	2.5	4.5	7.0	2.5	4.6	7.1	5.0	9.3	14.3

Information is given for the Groups' two businesses: Specialty Pharma and NsDiscovery. The information is based on the management structure and the internal financial reporting, which are submitted to the highest operative management. As the internal managment and reporting structure only cover the two businesses, no geographic spilt is made or disclosed.

The segment information complies with the accounting policies for recognition and measurment for the group.

3. Cash and cash equivalents

Cash and cash equivalents can be specified as follows:

(DKK million)	30 June 2011	30 June 2010	31 December 2010
Money market accounts	11.1	34.8	26.3
Cash and cash equivalents end of period	**11.1**	**34.8**	**26.3**

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, Danske Bank and Handelsbanken.

4. Securities

Securities can be specified as follows:

(DKK million)	30 June 2011	30 June 2010	31 December 2010
Danish mortgage bonds	340.4	631.3	454.3
Total securities end of period	**340.4**	**631.3**	**454.3**

5. Treasury shares

(DKK thousand)	Number of shares	Nominal value	Percentage of share capital	Market value DKK million
1 January 2011	265,946	5,318,920	1.08	25.3
Additions	-	-	-	-
Disposals	-	-	-	-
Adjustments	-	-	-	(13.3)
Treasury shares at 30 June 2011	**265,946**	**5,318,920**	**1.08**	**12.0**

The acquisition of own shares is part of the company's share buy-back programme which was initiated in May 2009 with the objective of contributing to any future milestone payments to the sellers of Carlsson Research, which NeuroSearch A/S acquired in 2006.