

H1 report 2016

Announcement

31 August 2016

NeuroSearch A/S – H1 report 2016

The NeuroSearch Group posted an operating loss of DKK 1.4 million in H1 2016 (H1 2015: a loss of DKK 3.0 million).

A loss after tax of continuing operations of DKK 1.7 million was posted in H1 2016 (H1 2015: a loss of DKK 3.0 million).

A consolidated net loss of DKK 0.5 million was posted for H1 2016 (H1 2015: a net loss of DKK 2.6 million).

At 30 June 2016, cash and cash equivalents totalled DKK 77 million (30 June 2015: DKK 80 million).

Update on the Company's assets

NeuroSearch signed an agreement with Saniona AB on 31 May 2016 for the transfer of its rights to the two drug candidates ACR325 and ACR343, which have both completed Phase I clinical development. This marks the conclusion of NeuroSearch's sale of patents and rights to drug candidates. The portfolio contains no further projects.

The Company has shareholdings in:

- NsGene: 26.8%
- Atonomics: 3.9%

Licence agreements:

- Potential milestone payments from Teva Pharmaceuticals of up to DKK 55 million relating to the development of Huntexil®
- Potential milestone payments and royalties from Saniona

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

In addition, NeuroSearch calculated the value as of 31 December 2015 of its unrecognised tax losses carried forward at approximately DKK 2.2 billion, and deductible temporary differences at approximately DKK 0.1 billion, or a total of approximately DKK 2.3 billion. Under certain conditions, the unrecognised tax assets may be utilized in full or in part by a potential buyer of NeuroSearch.



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Ongoing litigation

In August 2014, the Copenhagen City Court convicted NeuroSearch of share price manipulation in violation of the rules of the Danish Securities Trading Act in an action brought by the Public Prosecutor for Special Economic and International Crime (SØIK). The judgment was a result of the conviction of the Company's then CEO for share price manipulation. The Eastern Division of the Danish High Court upheld the judgment of the City Court on 14 October 2015 and ordered the Company to pay a fine of DKK 5 million for share price manipulation. The Company elected to file an application with the Danish Appeals Permission Board for leave of appeal to a court of third instance. On 16 March 2016, the Appeals Permission Board granted the Company leave to appeal the decision of the Eastern Division of the Danish High Court to the Danish Supreme Court. The Supreme Court will hear the case in November 2016. It is not clear yet when the judgment will be rendered. Until the Supreme Court judgment is available, the Company will continue its disposal of the Company's assets under due consideration for protecting the interests of the shareholders in the best possible way. Soon after the Supreme Court judgment, the Company intends to release an action plan for the future of the Company.

Outlook for 2016

In 2016, NeuroSearch expects an operating loss in the range of DKK 4-6 million. The outlook does not include any income from the possible sale of Company assets, potential income from the Company's agreements with Teva, Saniona or others, and neither does the outlook take into account a potential reversal of the provision of DKK 5 million made in 2014 to cover the fine the Company has been ordered to pay.

Allan Andersen
CEO

Contact person

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About NeuroSearch

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



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Financial review

Liquidity and capital resources

At 30 June 2016, the Company's cash and cash equivalents totalled DKK 77 million (30 June 2015: DKK 80 million).

Income statement

The NeuroSearch Group posted an operating loss of DKK 1.4 million in H1 2016 (H1 2015: a loss of DKK 3.0 million).

A loss after tax from continuing operations of DKK 1.7 million was posted in H1 2016 (H1 2015: a loss of DKK 3.0 million).

A consolidated net loss of DKK 0.5 million was posted in H1 2016 (H1 2015: a net loss of DKK 2.6 million).

Gain from divestment of intellectual property

During the period, the Company received DKK 1.3 million from Saniona A/S as part of the agreement signed by Saniona in February 2016 with Productos Medix S.A. de S.V. for the development and commercialisation of NS2330 (tesofensine) in Mexico and Argentina. NeuroSearch transferred the rights to NS2330 to Saniona A/S in October 2014.

Costs

Consolidated costs totalled DKK 3 million (H1 2015: DKK 3 million).

Net financials

Net financials amounted to a net income of DKK 0 million (H1 2015: a net income of DKK 0 million).

Balance sheet

At 30 June 2016, the balance sheet stood at DKK 78 million (30 June 2015: DKK 81 million).

Subsidiaries and associated companies

At 30 June 2016, 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 (3.9%).

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

Outlook for 2016

In 2016, NeuroSearch expects an operating loss in the range of DKK 4-6 million. The outlook does not include any income from the possible sale of Company assets, potential income from the Company's agreements with Teva, Saniona or others, and neither does the outlook take into account a potential reversal of the provision of DKK 5 million made in 2014 to cover the fine the Company has been ordered to pay.



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FINANCIAL HIGHLIGHTS AND PER SHARE RATIOS

(DKK million)	GROUP		
	H1 2016 (6 months)	H1 2015 (6 months)	2016 (12 months)
Income statement and statement of comprehensive income:			
Gain from divestment of intellectual property	1.3	-	-
General and administrative costs	2.7	3.0	6.5
Operating profit/(loss)	(1.4)	(3.0)	(6.5)
Net financials	(0.3)	0.0	(0.3)
Profit/(loss) of continuing operations before taxes	(1.7)	(3.0)	(6.8)
Net profit/(loss) of discontinued operations	1.2	0.4	1.3
Profit/(loss) for the period	(0.5)	(2.6)	(5.5)
Total comprehensive income for the period	(0.4)	(12.8)	(5.3)
Balance sheet:			
Total assets	78.0	81.3	78.6
Cash and cash equivalents and securities	77.4	80.3	78.0
Equity	72.0	75.2	72.4
Per share ratios (DKK):			
Earnings per share*	(0.02)	(0.10)	(0.23)
Diluted earnings per share	(0.02)	(0.10)	(0.23)
Net asset value	2.93	3.06	2.95
Market price at end of period	2.50	3.08	2.51
Market price/net asset value	0.85	1.01	0.85
Average number of employees			
Average number of employees	2	2	2
Number of employees at end of period			
Number of employees at end of period	2	2	2

* Per share of DKK 1 nominal value.

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



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CONDENSED TOTAL INCOME STATEMENT

(DKK million)	GROUP		
	H1 2016 (6 months)	H1 2015 (6 months)	2015 (12 months)
Income statement:			
Gain from divestment of intellectual property	1.3	-	-
General and administrative costs	2.7	3.0	6.5
Total costs	2.7	3.0	6.5
Operating profit/(loss)	(1.4)	(3.0)	(6.5)
Share of profit/(loss) of associates	-	-	-
Net other financials	(0.3)	0.0	(0.3)
Net profit/(loss) of continuing operations before taxes	(1.7)	(3.0)	(6.8)
Profit/(loss) of discontinued operations	1.2	0.4	1.3
Net profit/(loss)	(0.5)	(2.6)	(5.5)
Statement of comprehensive income:			
Net profit/(loss)	(0.5)	(2.6)	(5.5)
<i>Other comprehensive income:</i>			
Exchange rate adjustment of net investment in foreign subsidiary	0.1	(10.2)	0.2
Total other comprehensive income	0.1	(10.2)	0.2
Total comprehensive income	(0.4)	(12.8)	(5.3)
Earnings per share, DKK	(0.02)	(0.10)	(0.23)
Diluted earnings per share, DKK	(0.02)	(0.10)	(0.23)
Earnings per share, DKK (continuing operations)	(0.07)	(0.12)	(0.28)
Diluted earnings per share, DKK (continuing operations)	(0.07)	(0.12)	(0.28)

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CONDENSED BALANCE SHEET

(DKK million)	GROUP		
	30 June 2016	30 June 2015	31 December 2015
Receivables	0.6	1.0	0.6
Cash and cash equivalents and securities	77.4	80.3	78.0
Total assets	78.0	81.3	78.6
Equity	72.0	75.2	72.4
Current liabilities	6.0	6.1	6.2
Total equity and liabilities	78.0	81.3	78.6

CONDENSED CASH FLOW STATEMENT

(DKK million)	GROUP		
	H1 2016 (6 months)	H1 2015 (6 months)	2016 (12 months)
Cash flows from operating activities	(0.3)	(3.1)	(5.1)
Cash flows from investing activities	-	-	-
Cash flows from financing activities	(0.3)	-	(0.3)
Net cash flow	(0.6)	(3.1)	(5.4)
Cash and cash equivalents at beginning of period	78.0	83.4	83.4
Cash and cash equivalents and securities at end of period	77.4	80.3	78.0

For a breakdown of "cash and cash equivalents" as of 30 June 2016, see note 2.



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MOVEMENTS IN EQUITY

2016 GROUP (DKK thousand)	Share capital	Currency translation reserve	Retained earnings	Total
Equity at 1 January 2016	24,554	13,964	33,882	72,400
Total recognised income for the period	-	72	(460)	(388)
Transfer	-	-	-	0
Equity at 30 June 2016	24,554	14,036	33,422	72,012

2015 GROUP (DKK thousand)	Share Capital	Currency translation reserve	Retained earnings	Total
Equity at 1 January 2015	24,554	13,740	39,420	77,714
Total recognised income for the period	-	-	(2,558)	(2,558)
Transfer	-	-	-	0
Equity at 30 June 2015	24,554	13,740	36,862	75,156

SHARE CAPITAL

(DKK thousand)	30 June 2015	30 June 2016
Share capital at 1 January	24,554	24,554
Capital reduction	-	-
Share capital at 30 June	24,554	24,554



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NOTES

1. Accounting estimates and judgments

Basis of preparation

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

This interim report has not been audited or reviewed by the Company's independent auditor.

Accounting policies

The accounting policies applied in the interim consolidated financial statements are consistent with those applied in the Annual Report 2015. The Annual Report 2015 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 2015, pages 17-20.

Estimates and judgments

The preparation of the 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 2015. The principles are described in the Annual Report 2015 in note 1 to the financial statements (page 25-26).

2. Cash and cash equivalents

Cash and cash equivalents can be specified as follows:

(DKK million)	30 June 2016	30 June 2015	31 December 2015
Money market accounts	77.4	80.3	78.0
Deposit	-	-	-
Cash and cash equivalents end of period	77.4	80.3	78,0

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

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3. Treasury shares

	Number of Shares	Nominal value	Percentage of share capital	Market value DKK million
1 January 2016	265,946	265,946	1.08	0.7
Adjustments	-	-	-	-
Treasury shares at 30 June 2016	265,946	265,946	1.08	0.7

4. Ongoing litigation

The Eastern Division of the Danish High Court convicted the Company of share price manipulation on 14 October 2015. The Company elected to file an application with the Danish Appeals Permission Board for leave of appeal to a court of third instance in order to have the judgment reviewed by the Danish Supreme Court. The leave has been granted, and it is expected that the Supreme Court will hear the case in November 2016. Management is currently unable to comment on whether claims for compensation can or will be made against the Company in the event that the Supreme Court upholds the judgment of the Eastern Division of the Danish High Court.



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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 2016. The interim report has not been audited or reviewed by the Company's independent auditor.

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

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

Therefore, in our opinion, the interim report gives a true and fair view of the Group's assets and liabilities and financial position as at 30 June 2016 and of the results of operations and cash flows for the period 1 January to 30 June 2016. 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.

Hellerup, 31 August 2016

Executive Management

Allan Andersen
CEO

Board of Directors

Karin Garre
Chairman

Allan Andersen

Christian Lundgren
