

## H1 report 2017

# Announcement

31 August 2017

## NeuroSearch A/S – H1 report 2017

The NeuroSearch Group posted an operating loss of DKK 2.3 million in H1 2017 (H1 2016: a loss of DKK 1.4 million).

A loss after tax of continuing operations of DKK 2.5 million was posted in H1 2017 (H1 2016: a loss of DKK 1.7 million).

A consolidated net loss of DKK 2.5 million was posted for H1 2017 (H1 2016: a net loss of DKK 0.5 million).

At 30 June 2017, cash and cash equivalents totalled DKK 66 million (30 June 2016: DKK 77 million). In H1 2017, NeuroSearch paid the DKK 5 million fine for market manipulation.

### Update on the Company's assets.

*The Company has shareholdings in:*

- NsGene: 26.8% (NsGene entered into voluntary liquidation on 30 January 2017. NeuroSearch has recognised proceeds from the liquidation of DKK 4.5 million in its financial statements for 2016, which the Company expects to receive in Q3 2017).
- Atonomics: 3.6%.

### Licence agreements:

- Potential milestone payments from Teva Pharmaceuticals (if Huntexil® is granted market approval, NeuroSearch will be entitled to receive milestone payments totalling up to DKK 55 million. In 2016, Teva Pharmaceutical Industries Ltd. announced positive data from a comprehensive Phase II study. NeuroSearch has no further insight into Teva's future plans for developing Huntexil® and is therefore unable to assess the likelihood of payments to NeuroSearch being triggered or the timing of such payments. NeuroSearch has initiated a process to identify any possibilities of divesting the Company's entitlement to potential milestone payments and potential royalties.).
- Agreements with Saniona A/S. See more below in "Events after the balance sheet date".

Except for the proceeds deriving from the liquidation of NS Gene, the value of the assets listed above is subject to substantial uncertainty as no established market exists for such assets.



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In addition, NeuroSearch calculated the value as of 31 December 2016 of its unrecognised tax losses carried forward at approximately DKK 1,708 million, and deductible temporary differences at approximately DKK 84 million, or a total of approximately DKK 1,791 million. Under certain conditions, the unrecognised tax assets may be utilised in full or in part by a potential buyer of NeuroSearch.

## Outlook for 2017

In 2017, NeuroSearch expects an operating loss in the range of DKK 2.3-3.3 million. The outlook does not include any income from the possible divestment of additional Company assets or potential income from the Company's agreement with Teva.

## Events after the balance sheet date

On 4 July 2017, NeuroSearch and Saniona entered into an agreement on transfer of the remaining rights in the preclinical and clinical assets which NeuroSearch divested to Saniona during the period 2012-2016. In full and final settlement of NeuroSearch's remaining rights in the divested programs, NeuroSearch received from Saniona a one-time cash payment of DKK 5.5 million. Furthermore, Saniona assumed NeuroSearch's royalty obligations to third parties regarding potential future net sales of products from the programs, including NeuroSearch's royalty payment obligations to Boehringer Ingelheim (tesofensine) and to GlaxoSmithKline (NS2359).

Of the DKK 5.5 million received, NeuroSearch will, as per the original agreement, pay DKK 0.4 million in total to Boehringer Ingelheim and GlaxoSmithKline. The remaining DKK 5.1 million will add DKK 2.2 million to the Company's operating income, and the DKK 2.9 million will be recognised in discontinued operations.

After receipt of the DKK 5.5 million, the Company's cash and cash equivalents totalled DKK 71 million. The payment obligation to Boehringer Ingelheim and to GlaxoSmithKline is expected to be fulfilled in H2 2017.

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 2017, the Company's cash and cash equivalents totalled DKK 66 million (30 June 2016: DKK 77 million).

#### Income statement

The NeuroSearch Group posted an operating loss of DKK 2.3 million in H1 2017 (H1 2016: a loss of DKK 1.4 million).

A loss after tax from continuing operations of DKK 2.5 million was posted in H1 2017 (H1 2016: a loss of DKK 1.7 million).

A consolidated net loss of DKK 2.5 million was posted in H1 2017 (H1 2016: a net loss of DKK 0.5 million).

#### Costs

Consolidated costs totalled DKK 2.3 million (H1 2016: DKK 2.7 million).

#### Net financials

Net financials amounted to a net income of DKK 0 million (H1 2016: a net income of DKK 0 million).

#### Balance sheet

At 30 June 2017, the balance sheet stood at DKK 71 million (30 June 2016: DKK 78 million).

#### Subsidiaries

NsExplorer A/S and Poseidon Pharmaceuticals A/S were closed down at 30 November 2016. NeuroSearch Sweden AB was closed down at 30 June 2017.

#### Outlook for 2017

For 2017, NeuroSearch expects an operating loss in the range of DKK 2.3-3.3 million. The outlook does not include any income from the possible divestment of additional Company assets or potential income from the Company's agreement with Teva.

#### Events after the balance sheet date

On 4 July 2017, NeuroSearch and Saniona entered into an agreement on transfer of the remaining rights in the preclinical and clinical assets which NeuroSearch divested to Saniona during the period 2012-2016. In full and final settlement of NeuroSearch's remaining rights in the divested programs, NeuroSearch received from Saniona a one-time cash payment of DKK 5.5 million. Furthermore, Saniona assumed NeuroSearch's royalty obligations to third parties regarding potential future net sales of products from the programs, including NeuroSearch's royalty payment obligations to Boehringer Ingelheim (tesofensine) and to GlaxoSmithKline (NS2359).

Of the DKK 5.5 million received, NeuroSearch will, as per the original agreement, pay DKK 0.4 million in total to Boehringer Ingelheim and GlaxoSmithKline. The remaining DKK 5.1 million will add DKK 2.2 million to our operating income, and the DKK 2.9 million will be recognised in discontinued operations.

After receipt of the DKK 5.5 million, the Company's cash and cash equivalents totalled DKK 71 million. The payment obligation to Boehringer Ingelheim and to GlaxoSmithKline is expected to be fulfilled in H2 2017.



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FINANCIAL HIGHLIGHTS AND PER SHARE RATIOS

(DKK million)	GROUP		
	H1 2017 (6 months)	H1 2016 (6 months)	2016 (12 months)
<b>Income statement and statement of comprehensive income:</b>			
Gain from divestment of intellectual property	-	1.3	1.3
General and administrative costs	2.3	2.7	7.6
Operating profit/(loss)	(2.3)	(1.4)	(6.3)
Net financials	(0.2)	(0.3)	27.9
Profit/(loss) of continuing operations before taxes	(2.5)	(1.7)	21.6
Net profit/(loss) of discontinued operations	-	1.2	1.2
Profit/(loss) for the period	(2.5)	(0.5)	22.8
Total comprehensive income for the period	-	(0.4)	(1.0)
<b>Balance sheet:</b>			
Total assets	70.9	78.0	79.4
Cash and cash equivalents and securities	65.9	77.4	74.4
Equity	68.8	72.0	71.4
<b>Per share ratios (DKK):</b>			
Earnings per share*	(0.1)	(0.02)	0.93
Diluted earnings per share	(0.1)	(0.02)	0.93
Net asset value	2.91	2.93	2.91
Market price at end of period	3.46	2.50	3.01
Market price/net asset value	1.19	0.85	1.04
<b>Average number of employees</b>			
Average number of employees	1	2	2
Number of employees at end of period	1	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 2017 (6 months)	H1 2016 (6 months)	2016 (12 months)
<b>Income statement:</b>			
Gain from divestment of intellectual property	-	1.3	1.3
General and administrative costs	2.3	2.7	7.6
Total costs	2.3	2.7	7.6
<b>Operating profit/(loss)</b>	<b>(2.3)</b>	<b>(1.4)</b>	<b>(6.3)</b>
Share of profit/(loss) of associates	-	-	4.5
Net other financials	(0.2)	(0.3)	23.4
<b>Net profit/(loss) of continuing operations before taxes</b>	<b>(2.5)</b>	<b>(1.7)</b>	<b>21.6</b>
Profit/(loss) of discontinued operations	-	1.2	1.2
<b>Net profit/(loss)</b>	<b>(2.5)</b>	<b>(0.5)</b>	<b>22.8</b>
<b>Statement of comprehensive income:</b>			
Net profit/(loss)	(2.5)	(0.5)	22.8
<i>Other comprehensive income:</i>			
Recycling of currency translation	-	-	(23.4)
Exchange rate adjustment of net investment in foreign subsidiary	-	0.1	(0.4)
<b>Total other comprehensive income</b>	<b>0</b>	<b>0.1</b>	<b>(23.8)</b>
<b>Total comprehensive income</b>	<b>(2.5)</b>	<b>(0.4)</b>	<b>(1.0)</b>
Earnings per share, DKK	(0.1)	(0.02)	0.88
Diluted earnings per share, DKK	(0.1)	(0.02)	0.88
Earnings per share, DKK (continuing operations)	(0.1)	(0.07)	0.93
Diluted earnings per share, DKK (continuing operations)	(0.1)	(0.07)	0.93



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**CONDENSED BALANCE SHEET**

(DKK million)	GROUP		
	30 June 2017	30 June 2016	31 December 2016
Receivables	5.0	0.6	5.0
Cash and cash equivalents and securities	65.9	77.4	74.4
<b>Total assets</b>	<b>70.9</b>	<b>78.0</b>	<b>79.4</b>
Equity	68.8	72.0	71.4
Current liabilities	2.1	6.0	8.0
<b>Total equity and liabilities</b>	<b>70.9</b>	<b>78.0</b>	<b>79.4</b>

**CONDENSED CASH FLOW STATEMENT**

(DKK million)	GROUP		
	H1 2017 (6 months)	H1 2016 (6 months)	2016 (12 months)
Cash flows from operating activities	(8.3)	(0.3)	(3.5)
Cash flows from investing activities	-	-	-
Cash flows from financing activities	(0.2)	(0.3)	-
<b>Net cash flow</b>	<b>(8.5)</b>	<b>(0.6)</b>	<b>(3.5)</b>
Cash and cash equivalents at beginning of period	74.4	78.0	77.9
<b>Cash and cash equivalents and securities at end of period</b>	<b>65.9</b>	<b>77.4</b>	<b>74.4</b>

For a breakdown of "cash and cash equivalents" as of 30 June 2017, see note 2.



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**MOVEMENTS IN EQUITY**

<b>2017 GROUP (DKK thousand)</b>	Share capital	Currency translation reserve	Retained earnings	Total
Equity at 1 January 2017	24,554	(9,868)	56,697	71,383
Total recognised income for the period	-	-	(2,549)	(2,549)
Transfer	-	-	-	0
<b>Equity at 30 June 2017</b>	<b>24,554</b>	<b>(9,868)</b>	<b>54,148</b>	<b>68,834</b>

<b>2016 GROUP (DKK thousand)</b>	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
<b>Equity at 30 June 2016</b>	<b>24,554</b>	<b>14,036</b>	<b>33,422</b>	<b>72,012</b>

**SHARE CAPITAL**

<b>(DKK thousand)</b>	<b>30 June 2016</b>	<b>30 June 2017</b>
Share capital at 1 January	24,554	24,554
Capital reduction	-	-
<b>Share capital at 30 June</b>	<b>24,554</b>	<b>24,554</b>



## H1 2017 Report

### 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 2016. The Annual Report 2016 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 2016, pages 19-22.

##### 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 2016. The principles are described in the Annual Report 2016 in note 1 to the financial statements (page 27-28).

#### 2. Cash and cash equivalents

Cash and cash equivalents can be specified as follows:

(DKK million)	30 June 2017	30 June 2016	31 December 2016
Money market accounts	65.9	77.4	74.4
Deposit	-	-	-
<b>Cash and cash equivalents end of period</b>	<b>65.9</b>	<b>77.4</b>	<b>74.4</b>

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 2017	265,946	265,946	1.08	0.8
Adjustments	-	-	-	0.1
<b>Treasury shares at 30 June 2017</b>	<b>265,946</b>	<b>265,946</b>	<b>1.08</b>	<b>0.9</b>



## H1 2017 Report

### MANAGEMENT STATEMENT

The Board of Directors and Executive Management today considered and approved the interim report for the period 1 January to 30 June 2017. 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 2017 and of the results of operations and cash flows for the period 1 January to 30 June 2017. 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 2017

### Executive Management

Allan Andersen  
CEO

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### Board of Directors

Karin Garre  
Chairman

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Allan Andersen

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Christian Lundgren

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