LCP
LIFECYCLE PHARMA

Annual Report 2007

▶ Lotte is a kidney transplant patient, she owns and runs her own accounting business and lives in Denmark.

"Before my transplant I was weakened by my disease and was burdened by the need for weekly visits to the hospital for dialysis treatments. Having a kidney transplant changed my life and gave me the freedom and energy to live a more active and productive life"

Content

Improving Treatment Improving Lives

LifeCycle Pharma (LCP) is an emerging specialty pharmaceutical company, focused on certain cardiovascular indications and organ transplantation in particular. The intention is to approach the transplantation market through our own, hospital-based specialist sales force and to use marketing and sales partners for the cardiovascular indications. We currently have one product on the market, seven clinical development programs covering five product candidates and three product candidates in pre-clinical development.

Our first commercialized product, LCP-FenoChol, has received FDA approval for sale in the U.S., under the brand name Fenoglide™, for the treatment of dyslipidemia as an adjunct to diet in adult patients. Launched in February 2008, Fenoglide™ is marketed in the U.S. by our partner Sciele Pharma.

LCP's lead product candidate in immunosuppression for transplant patients, LCP-Tacro, was developed in-house using our proprietary MeltDose® technology platform. LCP-Tacro is currently in Phase II clinical trials and will be the first product that LCP expects to fully develop and commercialize itself in selected markets.

Our proprietary MeltDose® technology platform is designed to enhance the release and absorption of drugs in the body by incorporating the drug in a solubilized form in a tablet matrix. By applying our MeltDose® technology to create new versions of existing drugs, we believe we are able to develop products with differentiated characteristics significantly faster and cheaper and with a higher success rate as compared with traditional drug development.

In order to commercialize Fenoglide™ and to develop our product candidates for the cardiovascular market, we have entered into partnerships with pharmaceutical companies such as Sciele Pharma, Recordati, Sandoz and Mylan. We intend to continue this partnering strategy for our product candidates in major therapeutic markets with large physician and patient populations where we believe the expanded marketing capabilities of these companies may significantly increase the market penetration of our products.

For product candidates we are developing for immunosuppression and may develop for other specialist indications, we intend to establish our own sales and marketing capabilities where we believe we can maximize their commercial potential through such a strategy.

2007 Highlights

We achieved all the major milestones we set out for ourselves in 2007. Some milestones were even attained ahead of schedule, and moreover with fewer resources than planned in terms of employees and money

A key event for LCP in 2007 was the approval in August by the United States Food and Drug Administration (FDA) of our first commercialized product, LCP-FenoChol, a drug for the treatment of dyslipidemia. LCP-FenoChol was introduced by our partner Sciele Pharma, Inc. in the U.S. market in February 2008 under the brand name Fenoglide™.

OTHER IMPORTANT BUSINESS
AND CLINICAL MILESTONES WERE:

- Establishment of LifeCycle Pharma, Inc., a wholly-owned U.S. subsidiary of LCP, located in New York City, to support clinical-trial, regulatory and commercial operations in the U.S.
- On April 24, 2007, LCP held it's first annual general meeting as a listed company
- Exclusive license agreement with Sciele Pharma to market Fenoglide™ in the U.S., Canada and Mexico, and a technology collaboration relating to the utilization of the MeltDose® technology platform for the lifecycle management of one of Sciele Pharma's products
- U.S. patent for our MeltDose® technology
- Initiation of a Phase II clinical trial program for LCP-AtorFen for the treatment of dyslipidemia
- Positive interim Phase II clinical trial results for LCP-Tacro for immunosuppression treatment in kidney transplant patients, showing that LCP-Tacro demonstrated a superior profile when compared to Prograf®
- Positive results from Phase I head-to-head clinical trial comparing LCP-Tacro to Advagraf®
- Announcement of a new product candidate and initiation of a Phase I clinical trial for LCP-Siro, an immunosuppression drug for the prevention of organ rejection after transplantation and for the treatment of certain autoimmune diseases
- Initiation of a Phase II clinical trial for LCP-Tacro in liver transplant patients
- Pre-clinical feasibility study agreement with an undisclosed top 10 pharmaceutical company (based on 2006 gross revenues) regarding the use of LCP's MeltDose® technology in order to investigate a new formulation of one of the pharmaceutical company's product candidates

A key event for LCP in 2007 was the approval in August by the United States Food and Drug Administration (FDA) of our first commercialized product, LCP-FenoChol, a drug for the treatment of dyslipidemia. LCP-FenoChol was introduced by Sciele Pharma, Inc. in the U.S. in February 2008 under the brand name Fenoglide™

2008 Outlook

During 2008, LCP will continue to advance the development of the Company's product candidates at various stages of clinical development, and LCP will start receiving royalties on the sale of Fenoglide™

EXPECTED KEY MILESTONES IN 2008

- Phase II clinical trial results for LCP-Tacro in kidney and liver transplant patients
- Phase II clinical trial results for LCP-AtorFen for the treatment of dyslipidemia
- Initiation of Phase III clinical trials for LCP-Tacro in kidney and liver transplant patients
- Phase I clinical trial results for LCP-Siro for organ transplantation and autoimmune diseases
- Preparation of Phase III clinical trials for LCP-AtorFen for the treatment of dyslipidemia

OUTLOOK FOR 2008

LCP is projecting an operating loss of DKK 260 – 290 million compared to the realized operating loss of DKK 172.9 million in 2007. The net loss is expected to be in the range of DKK 255 – 285 million compared to the net loss of DKK 160.2 million in 2007.

As of December 31, 2007, the Company's cash position equaled DKK 331.7 million, and the Company's 31 December 2008 cash position is expected to be in the range of DKK 70 - 110 million.

The above estimates are subject to possible changes primarily due to the timing and variation of clinical activities, related costs and fluctuating exchange rates. In addition to the above clinical activities, LCP expects to recognize income from collaboration partners. Further, the financial guidance may change in case the Company elects to raise additional funds during 2008, through issuance of shares or otherwise.

Overview of product pipeline

1) Based on gross turnover for 2006

Dr. Flemming Ørnskov
President and Chief Executive Officer

Letter to Our Shareholders

Dear Shareholder,

2007 was a very busy, but also an educational year, in which we achieved many important milestones in our efforts to build a fully integrated specialty pharmaceutical company.

It was the first full year for LCP as a public company after the successful listing on the OMX Nordic Exchange Copenhagen in November 2006. It has been – and it is – important for us to acknowledge the confidence showed to us by our many new shareholders. We are proud to say that we have achieved all the major milestones we set out for ourselves in 2007. Some milestones were even attained ahead of schedule, and moreover with fewer resources in terms of employees and money. This allowed us to improve by approximately DKK 100 million on the full-year 2007 financial guidance made when we issued our financial report for the first nine months of the year.

LCP is committed to ensuring an open, constructive and timely dialogue with our shareholders and we would like to take this opportunity to thank you for your continued support.

A key event for LCP in 2007 was the approval by the United States Food and Drug Administration (FDA) of our first commercialized product, LCP-FenoChol. This underlines one of LCP's key strengths; the short time span from idea to commercialization thanks to our proprietary MeltDose® technology and strong research and development capabilities. LCP-FenoChol was developed from pre-clinical trials to FDA approval for sale in the U.S. within five years as compared with a traditional drug development time of around 8-11 years.

In 2007, we made significant progress in our business strategy. We reported positive interim Phase II clinical trial results for LCP-Tacro, our lead-candidate immunosuppression drug used to prevent rejection after organ transplantation. The interim data for the Phase II trial among kidney transplant patients showed that LCP-Tacro demonstrated a superior profile when compared to Prograf®, and we also received positive results from the Phase I head-to-head trial comparing LCP-Tacro to Advagraf®.

In addition to the FDA approval of LCP-FenoChol, within the cardiovascular franchise we initiated a Phase II clinical trial program for LCP-AtorFen, a fixed dose combination therapy for the treatment of dyslipidemia, through which we are seeking to demonstrate the superiority of LCP-AtorFen versus existing monotherapies.

Dr. Claus Braestrup
Chairman of the Board of Directors

For products that we are developing for specialty indications, such as immunosuppression, we intend to establish our own sales and marketing capabilities in select markets where we believe we can maximize their commercial potential through such a strategy

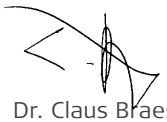
As part of our commercialization strategy to enter into partnership agreements for products that serve very large markets, we entered into an exclusive license agreement with Sciele Pharma to market LCP-FenoChol in the U.S., Canada and Mexico under the brand name Fenoglide™. At the same time, we entered into a technology collaboration with Sciele Pharma utilizing the MeltDose® technology for the lifecycle management of one of Sciele Pharma's products. We also signed an agreement with an undisclosed top 10 pharmaceutical company regarding the use of the MeltDose® technology to conduct a pre-clinical feasibility study to investigate a new formulation of one of the pharmaceutical company's product candidates.

These actions are in line with our strategy under which we intend to establish strategic partnerships with companies whose marketing capacity can secure increased market penetration for our cardiovascular product candidates. For products that we are developing for specialty indications, such as immunosuppression, we intend to establish our own sales and marketing capabilities in select markets where we believe we can maximize their commercial potential through such a strategy.

One of the keys to our continued success is being able to attract and retain dedicated and talented staff, and we welcomed many new faces during 2007. The total number of employees rose from 44 at the beginning of the year to 84 by year-end. Most of these new colleagues are researchers located in Denmark, while 10 are based at our office in New York.

LCP management believes the company stands well prepared to meet new challenges and to further grow our business and develop our product pipeline in 2008. A year, which we expect will be marked by revenues generated from our first marketed product and the initiation of pivotal Phase III clinical trials with product candidates from both of our two key therapeutic areas. We are still at the beginning of an exciting journey.

Yours sincerely,



Dr. Claus Braestrup
Chairman of the Board of Directors

Dr. Flemming Ørnskov
President and Chief Executive Officer

RUDY M.
Born in 1941, he received a heart transplant in 1989, again in 2005.
Rudy is the owner of an automotive service center and a avid classic car collector.

Business Strategy

LifeCycle Pharma (LCP) is an emerging specialty pharmaceutical company, focused on certain cardiovascular indications and organ transplantation in particular. The intention is to approach the transplantation market through our own, hospital-based specialist sales force and to use marketing and sales partners for the cardiovascular indications.

We believe that our proprietary MeltDose® technology platform enables us to develop drugs which achieve the same efficacy as currently commercialized drugs, but at lower doses. The results are generally better bioavailability, a reduction in potential interaction with food and other drugs, and in some cases, reduced side effects.

KEY ELEMENTS OF THE BUSINESS STRATEGY:

Advance LCP-Tacro, LCP-Siro and our other immunosuppression product candidates through clinical studies within the organ transplantation area

- LCP-Tacro (once-daily dosage) has recently received positive and statistically significant Phase II clinical data in kidney transplant recipients demonstrating a potential best-in-class profile when compared head-to-head with Prograf® (twice-daily dosage), the only tacrolimus product currently available on the U.S. market. In addition, we have received positive interim Phase II data for LCP-Tacro in liver transplant recipients indicating a potential best-in-class profile when compared head-to-head with Prograf® (twice-daily dosage).

Develop LCP-Tacro, LCP-Siro and our other immunosuppression product candidates for indications within the autoimmune disease area

- There is scientific and clinical data that suggest that tacrolimus and sirolimus may have efficacy in the treatment of various autoimmune diseases, including autoimmune hepatitis. We intend to develop further our product candidates, LCP-Tacro and LCP-Siro, for the treatment of autoimmune hepatitis and other indications in the autoimmune area that have commercial and clinical significance.

Advance LCP-AtorFen to late stage clinical studies

- We intend to take LCP-AtorFen through Phase II clinical studies, and plan to prepare for Phase III clinical studies. We intend to seek a partner to fund any such Phase III clinical studies and to leverage the larger sales force of such a partner at the time of the market launch of LCP-AtorFen.

Leverage our clinical and regulatory expertise within the cardiovascular and immunosuppression areas

- We have initially focused on the development of product candidates for cardiovascular disease and immunosuppression, which are major therapeutic areas with established commercial potential. We intend to leverage our clinical and regulatory expertise by continuing to develop new MeltDose® product candidates in these two areas. In addition, we may in-license attractive product candidates to complement our existing in-house portfolio, particularly within the immunosuppression area, where we can obtain sales and marketing synergies with our existing in-house portfolio.

Continue to leverage our proprietary MeltDose® technology platform across multiple therapeutic areas with established commercial potential

- We believe that our proprietary MeltDose® technology platform has broad applicability across multiple existing drugs and disease areas. We intend to further maximize the commercial value of our MeltDose® technology by applying it across a broad range of therapeutic indications where we believe we can retain significant rights to our products and maximize their commercial potential.

What is immunosuppression?
The body's immune system will automatically try to reject a transplanted organ – it is the body's misguided attempt of self-protection. Immunosuppressive therapy is used to decrease the body's immune response in order to block the effects of this natural defense and prevent the body from rejecting the transplanted organ

Deploy a two-pronged commercialization strategy

- For products that we are developing for specialty indications, such as immunosuppression, we intend to establish our own sales and marketing capabilities in certain markets where we believe we can maximize the commercial potential through such a strategy. We may also outlicense our product candidates where we deem such outlicensing to be appropriate.

- For products that serve very large markets or those that may be widely distributed geographically, such as our cardiovascular product candidates, we plan to enter into commercialization and marketing licenses with major pharmaceutical companies.

DRUG DEVELOPMENT

We believe that LCP's development process based on our MeltDose® technology has several advantages over the traditional pharmaceutical development process. In general, pharmaceuticals developed through our drug development process as compared with pharmaceuticals that are developed through the traditional development process have a shorter time to market, lower development costs and lower development risks.

LCP follows a two-pronged commercialization strategy

Product Portfolio

Cardiovascular disease

MARKET OVERVIEW

Cardiovascular disease includes a variety of disorders, such as dyslipidemia, hypertension (high blood pressure), heart attack, atrial fibrillation, congestive heart failure, angina and coronary artery disease and is the leading cause of death in the U.S., Japan, the United Kingdom, France, Germany, Italy and Spain (Datamonitor).

Our product and product candidates are for the treatment of dyslipidemia and hypertension.

In 2007, dyslipidemia was estimated to have affected approximately 309 million individuals in the U.S., Japan, the United Kingdom, France, Germany, Italy and Spain (Datamonitor). Many of these patients remain undiagnosed, however of diagnosed patients an estimated 78% are treated with pharmaceuticals. In 2007, it was estimated that the antidyslipidemic market totaled approximately USD 23 billion in annual U.S. retail sales – a 8% increase over the prior year (Datamonitor).

Hypertension is a major risk factor for cardiovascular disease and the main risk factor for stroke and heart attack. Hypertension can also lead to heart and kidney failure and other so-called end-organ damage. Hypertension will affect an estimated 198 million people in 2008 in the U.S., Japan, the United Kingdom, France, Germany, Italy and Spain (Datamonitor). Hypertension is the leading sales generator in the cardiovascular market in these countries, accounting for 33% of pharmaceutical sales, with the anti-hypertensives market recording sales of approximately USD 37.1 billion in 2006 (Datamonitor).

PRODUCT PROGRAMS

1. Fenoglide™
is our FDA-approved fenofibrate product for the treatment of dyslipidemia. Fenoglide™ contains 120 mg/40 mg of active substance, the lowest effective marketed standard dose available without any significant food effect. We believe that Fenoglide™ will be a natural choice for physicians.

Status: Fenoglide™ is currently marketed in the U.S. by our partner Sciele Pharma.
Commercial potential: In 2006, worldwide sales of all fenofibrate drugs were approximately USD 1.7 billion (IMS Health; All rights reserved).
Marketing rights: U.S., Canada and Mexico – Sciele Pharma. Rest of the world - LCP

2. LCP-AtorFen
is our proprietary product candidate for the treatment of dyslipidemia, combining atorvastatin (the active ingredient of Lipitor®, currently marketed by Pfizer and often referred to as the best selling drug in the world) and an undisclosed low dose of fenofibrate without food effect. We believe that LCP-AtorFen will prove to be a safe and efficacious treatment for dyslipidemia, addressing three primary cardiovascular risk factors: low levels of HDL, high levels of LDL and elevated levels of triglycerides.

Understanding Dyslipidemia

Lipids are essential for many of the body's functions, but an imbalance of lipid levels can cause build up within the walls of the arteries, forming plaque and blocking the flow of blood. A completely blocked artery can result in a stroke or heart attack.

Dyslipidemia is a disorder of lipid metabolism that refers to an imbalance in the level of blood lipids (or fatty molecules). Dyslipidemia encompasses a variety of conditions characterized by either excessively high or low levels of certain lipids in the bloodstream. Dyslipidemia has been shown to play an important role in the development of cardiovascular diseases.

There are two types of fatty molecules:

1) Cholesterol, including:
- High-density lipoprotein (HDL) – 'good cholesterol'
- Low-density lipoprotein (LDL) – 'bad cholesterol'

2) Triglycerides – another 'bad cholesterol'

Statins and fibrates are leading drug classes for the treatment of dyslipidemia.

Status: Phase II clinical trial data expected in the first half of 2008.
Commercial potential: In North America, combined sales of atorvastatin and fenofibrate were approximately USD 10.8 billion in 2006 (IMS Health; All rights reserved).
Marketing rights: Worldwide - LCP

3. LCP-Lerc
is designed to become a new, improved lercanidipine product for the treatment of hypertension. LCP-Lerc is being developed as a follow-on product to Zanidip®, the top selling product of our partner Recordati. Lercanidipine is one of the newest calcium-channel blockers for hypertension. We are responsible for creating a new formulation of Zanidip® with a lower dose and a reduced food effect, while Recordati will be responsible for all further clinical development and commercialization.

Status: Phase I trials completed, ready for pivotal studies.
Commercial potential: Not relevant as Recordati retains marketing rights worldwide.
Marketing rights: Worldwide - Recordati

4. LCP-Feno
is our development stage fenofibrate product candidate containing 145 mg/48 mg active substance for the treatment of dyslipidemia. LCP-Feno has been designed to be marketed as an AB-rated (substitutable) generic version of Tricor®, which is currently marketed in the U.S. by Abbott and in Europe by Solvay under the name Lipanthyl®.

Status: Pilot studies ongoing.
Commercial potential: In 2006, worldwide sales of all fenofibrate drugs were approximately USD 1.7 billion (IMS Health; All rights reserved).
Marketing rights: U.S. – Sandoz. EU – Mylan. Rest of the world - LCP

Immunosuppression

MARKET OVERVIEW

In the area of immunosuppression, we have elected to focus on organ transplantation and autoimmune disorders, in particular autoimmune hepatitis.

Transplantation in humans has a relatively short history, spanning just over 50 years. The first successful human kidney transplant was performed in 1954. Since then, the development of effective immunosuppression drugs, coupled with advances in immunology, surgical techniques, donor selection and postoperative care have all contributed to improved outcomes for solid organ transplants, which is now an established treatment for organ failure of the kidney, pancreas, liver, heart or lung.

In 2005, over 50,000 organ transplants were conducted worldwide and the transplantation immunosuppression market in the U.S., Japan, the United Kingdom, France, Germany, Italy and Spain was valued at USD 3.3 billion in 2005 (IMS Health; All rights reserved), and by 2015, it is estimated this market will be USD 4.3 billion, corresponding to an average annual growth rate of 3% (Datamonitor).

Approximately 50,000 people (mainly women) in the U.S. suffer from autoimmune hepatitis, an unresolving inflammation of the liver which may lead to end-stage liver disease and organ failure. We believe there is an unmet medical need because, while many patients use steroids and azathioprine in the medium-term, many patients with autoimmune hepatitis will ultimately need a liver transplant to survive. These treatments have side effects, and treatments fail in approximately 10% of autoimmune hepatitis patients in the U.S., with another 10-15% more autoimmune hepatitis patients in the U.S. necessitating discontinuation of the treatment or dose reduction due to intolerance or toxicity of the products currently used.

In addition to autoimmune hepatitis, there are a number of other autoimmune disorders with significant patient populations, including systemic lupus erythematosus, myasthenia gravis, ulcerative colitis, Crohn's disease, multiple sclerosis and scleroderma.

PRODUCT PROGRAMS

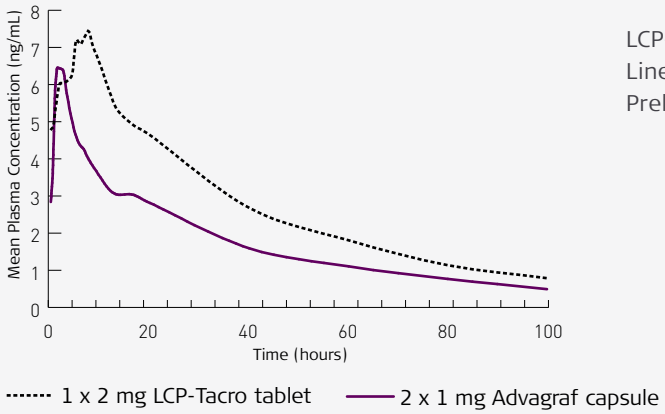
1. and 2. LCP-Tacro (organ transplantation–kidney and liver)
is designed to be a once-daily dosage formulation of tacrolimus that we are developing for immunosuppression treatment in kidney and liver transplant recipients. We believe LCP-Tacro could be more effective and have less variable blood concentration levels than either Prograf®, a twice-daily dosage tacrolimus drug currently marketed worldwide by Astellas, or Advagraf®, a once-daily dosage version of tacrolimus currently marketed by Astellas in a few European countries. We believe that tacrolimus is only currently available in suboptimal formulations with highly variable bioavailability. Tacrolimus has a narrow therapeutic window, and, therefore, we believe that the variability of Prograf® may be a key drawback for its efficacy and side effect profile.

A recent Phase I head-to-head clinical study comparing LCP-Tacro with Advagraf® confirmed that LCP-Tacro had approximately 50% higher bioavailability with a flatter product profile (i.e., a lower Cmax/Cmin or peak-to-trough ratio) and the potential for lower daily doses when compared with Advagraf®. LCP-Tacro has completed Phase II clinical studies for patients who have undergone a kidney transplant. The Phase II clinical study for kidney transplantation was designed as a conversion study in stable kidney transplant recipients, with patients being switched to LCP-Tacro (once-daily dosage) from Prograf® (twice-daily dosage), at least six months after transplantation. Interim data from these Phase II studies confirmed a once-daily dosage treatment profile and demonstrated improved pharmacokinetics (PK) and higher bioavailability when compared with Prograf®.

Status: Phase III program with approximately 1,000 kidney and liver transplant patients expected to start in the second half of 2008. This program is expected to consist of conversion (switch) studies with Prograf® as comparator, as well as *de novo* kidney and *de novo* liver transplant studies versus Prograf®.
Commercial potential: In 2007, worldwide sales of Prograf® were approximately USD 1.6 billion (IMS Health; All rights reserved).
Marketing rights: Worldwide – LCP

3. LCP-Tacro (autoimmune hepatitis)
is designed to be an immunosuppressant that we believe may be efficacious not only in preventing organ transplant rejection, but also in a number of autoimmune diseases, such as autoimmune hepatitis, lupus nephritis, myasthenia gravis, ulcerative colitis, Crohn's disease, multiple sclerosis and scleroderma. Currently, patients with such diseases have limited treatment options. As a last resort, doctors may offer expensive, injectable antibody therapy or long-term, high-dose steroid therapy, which have severe side effects. The potential efficacy of tacrolimus has been shown in several such indications, including rheumatoid arthritis and inflammatory bowel disease, but we believe its usage has been hampered by the inconvenience, variability and unwanted side effects associated with the current formulation. We believe that LCP-Tacro could potentially eliminate these problems and offer a safe and effective alternative to patients with autoimmune disorders.

Status: Phase II clinical trial for the treatment of autoimmune hepatitis initiated in January 2008. Top-line results expected in early 2009.
Commercial potential: Autoimmune hepatitis represents an attractive niche market with an estimated 50.000 patients in U.S. alone with unmet needs. If effective on autoimmune hepatitis, LCP-Tacro could represent an opportunity in other autoimmune diseases (Market Research Report, Propagate Pharma, Inc. for LCP "CIs in Autoimmune Hepatitis and Primary Biliary Cirrhosis", 2007).
Marketing rights: Worldwide - LCP



LCP-Tacro vs. Advagraf®
Linear Time Concentration Plot, Dose-Uncorrected
Preliminary Analysis of Study 1017

Why LCP-Tacro?
Transplant patients are generally prescribed tacrolimus so that they maintain a minimal level of tacrolimus in the blood to prevent organ rejection after transplantation. But, high levels can increase the risk of serious side effects such as kidney damage or hypertension. Therefore, tacrolimus levels need to be managed carefully. This is complicated by tacrolimus' low bioavailability, its variable absorption and frequent interactions with food and other drugs.

LCP has developed a proprietary once daily dosage oral formulation of tacrolimus - LCP-Tacro - with improved absorption and bioavailability employing our MeltDose® technology. As an oral formulation that can be taken by the patient once daily, LCP-Tacro is expected to be easier and more cost-effective to use in the clinical setting during long-term maintenance of immunosuppression after organ transplantation compared to the typical twice daily dosage treatment of Prograf®.

4. LCP-Siro (organ transplant/autoimmune diseases) is designed to provide increased bioavailability and reduced dosing, as compared to the currently available version of sirolimus, which is an immunosuppressant for the prevention of organ rejection after transplantation. Sirolimus is currently marketed as Rapamune® by Wyeth Pharmaceuticals in a once-daily formulation for the prevention of kidney transplant rejection.

Status: Phase I clinical trial data expected in 2008
Commercial potential: In 2006, worldwide sales of Rapamune® were approximately USD 337 million (Wyeth, press release dated 26 February 2007).
Marketing rights: Worldwide - LCP

5. LCP-3301 (organ transplant/autoimmune diseases) is developed to be a unique once-daily dosage form of another immunosuppressive agent for the prevention of rejection after organ transplantation and for the treatment of patients with autoimmune diseases.

Status: Phase I clinical trials expected to start in the second half of 2008.
Commercial potential: Not disclosed
Marketing rights: Worldwide - LCP

Important Events Following the Balance Sheet Date

In January 2008, LCP announced positive interim results from Phase II clinical studies of LCP-Tacro in liver transplant patients and initiated Phase II studies of LCP-Tacro for the treatment of autoimmune hepatitis.

In February 2008, Sciele Pharma launched Fenoglide™ in the U.S.

Effective 1 March 2008, Hans Christian Teisen assumes the position of Senior Vice President, Chief Financial Officer, replacing Michael Wolff Jensen, who has decided to leave the company to pursue other business opportunities and who has served in that position since 2003.

Financial Review

REVENUES

During 2007, LCP recognized DKK 64.7 million in revenues compared to DKK 9.7 million in 2006. The revenues are generated under the Company's collaboration agreements with Sciele Pharma, Sandoz, Recordati and H. Lundbeck.

The market approval of LCP-FenoChol by the FDA in August 2007 triggered the full right to milestone payments totaling USD 9 million under the license agreement with Sciele Pharma.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs increased by DKK 54.2 million, or by 42%, from DKK 129.4 million in 2006 to DKK 183.6 million in 2007. The higher research and development costs reflect the increased activity in the Company's pipeline, primarily the costs related to the clinical trials carried out, but also costs related to the increased number of employees. Over the course of 2007, the number of employees working within research and development has increased from 35 to 68, an increase of 94%.

LCP has established a subsidiary in the U.S. to monitor the clinical activities in the U.S. and to maintain a close contact to the U.S. authorities and market. Currently, all our clinical trials are being conducted in the U.S. and Canada.

On an overall basis, research and development costs account for 77.3% of total costs of operations. The comparable figure for 2006 was 81.5%.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses were DKK 54.0 million compared to DKK 29.4 million in 2006. This increase is attributable to the general strengthening of the Company's administrative functions following the Company's initial public offering in November 2006. This strengthening has led to increased personnel expenses and warrant compensation costs. Furthermore, the Company has established a subsidiary in the U.S.

WARRANT COMPENSATION COSTS

During 2007, the Company recognized a total of DKK 18.0 million as share-based compensation, compared to DKK 13.2 million in 2006. The warrant compensation costs for 2007 were allocated to research and development costs at DKK 8.0 million and to general and administrative expenses at DKK 10.0 million.

OPERATING RESULT

For 2007, LCP reported an operating loss of DKK 172.9 million compared to an operating loss of DKK 149.1 million in 2006. The operating loss is in line with management's expectations for the year. In the original financial guidance for 2007, expressed in the Annual Report for 2006, LCP projected an operating loss of DKK 260 to 285 million. Based on the results for the nine months ended September 30, 2007, LCP improved its financial guidance for the year. As expressed in the Interim Report for the nine months ended September 30, 2007, the Company projected an operating loss for 2007 of DKK 160 to 185 million.

FINANCIAL ITEMS

Net financial items increased from DKK 1.3 million in 2006 to DKK 12.7 million in 2007. The increase in financial income is a reflection of the interest on the net proceeds from the Company's IPO in November 2006. During 2007, the Company's excess cash has been placed in short-term deposits with a major Danish bank.

The Company's financial expenses primarily comprise interest on finance leases, used to finance the Company's investments in property, plant and equipment.

During 2007, the Company has incurred net exchange rate losses of DKK 2.2 million compared to DKK 0.1 million in 2006. This increase follows from the significant fluctuations in foreign currencies over the year, but also demonstrates that compared to the Company's operating costs, the effect on the Company of exchange rate fluctuations is not significant.

NET RESULT

For 2007, LCP reported a net loss of DKK 160.2 million compared to a net loss of DKK 147.7 million in 2006. In November 2007, LCP updated its financial guidance for the year from a net loss in the range of DKK 255 to 280 million to a net loss in the range of DKK 145 to 170 million.

CASH FLOW

As of December 31, 2007, the balance sheet reflects cash and cash equivalents of DKK 331.7 million compared to DKK 464.7 million as of December 31, 2006. This represents a net cash burn of DKK 133 million.

During 2007, the Company's operating activities required cash flow of DKK 130.7 million compared to DKK 125.8 million in 2006. The higher cash flow reflects the increasing activity in the Company's operations but is also positively affected by the increasing revenues in 2007 compared to 2006.

Investing activities required cash flows of DKK 7.3 million in 2007 compared to DKK 7.2 million in 2006. Cash flow from investing activities primarily comprises the Company's investment in property, plant and equipment.

Net cash flow from financing activities was DKK 3.8 million compared to DKK 510.5 million in 2006. The cash flow comprises net proceeds from issuance of shares reduced by installments on the Company's finance leases. In 2006, the cash flow from financing activities was positively affected by DKK 500 million in net proceeds from the Company's initial public offering.

The cash position at the end of 2007 is in line with management's updated expectations, which projected a cash position at the end of 2007 of DKK 315 to 340 million.

SHAREHOLDERS' EQUITY

Shareholders' equity equaled DKK 325.7 million as of December 31, 2007 compared to DKK 458.1 million at the end of 2006.

CURRENCIES

LCP publishes its financial statements in Danish Kroner (DKK). Solely for the convenience of the reader, the financial statements contain a conversion of certain DKK amounts into Euro (EUR) at a specified rate. This conversion has been made at the exchange rate in effect at the balance sheet date. These converted amounts are unaudited and should not be construed as representations that the DKK amounts actually represent such EUR amounts or could be converted into EUR at the rate indicated or at any other rate. Only the consolidated financial statements have been converted to EUR. Accordingly, financial statements for the parent Company are presented only in DKK, except for certain disclosures in the notes.

Unless otherwise indicated, conversion herein of financial information into EUR has been made using the Danish Central Bank's spot rate on December 31, 2007, which was EUR 1.00 = DKK 7.4566.

CONSOLIDATION

As per January 2, 2007, LCP established its U.S. subsidiary, LifeCycle Pharma, Inc. Accordingly, the Company has prepared consolidated financial statements for 2007, whereas the 2006 figures only comprise the activities of the parent Company.

OUTLOOK FOR 2008

LCP is projecting an operating loss of DKK 260 – 290 million compared to the realized operating loss of DKK 172.9 million in 2007. The net loss is expected to be in the range of 255 – 285 million compared to the net loss of DKK 160.2 million in 2007.

As of December 31, 2007, the Company's cash position equaled DKK 331.7 million and the Company's December 31, 2008 cash position is expected to be in the range of DKK 70 – 110 million.

The above estimates are subject to possible changes primarily due to the timing and variation of clinical activities, related costs and fluctuating exchange rates. In addition to the above clinical activities, LCP expects to recognize income from collaboration partners. Further, the financial guidance may change in case the Company elects to raise additional funds during 2008, through issuance of shares or otherwise.

KEY FIGURES

The following key figures and financial ratios have been calculated in accordance with the recommendations of the Association of Danish Financial Analysts.

Key figures comply with the requirements under IFRS and the Danish financial reporting requirements. All key figures and financial ratios are in conformity with the current accounting policies and have for 2007 been prepared on a consolidated basis. For previous years, no group was established, and, accordingly, the figures represent only the activities of the parent Company. The figures have been stated in thousands, except for the financial ratios.

Key Figures and Ratios (DKK)

	2007 DKK'000	2006 DKK'000	2005 DKK'000	2004 DKK'000	2003 DKK'000
Income Statement					
Revenue	64,705	9,740	2,754	4,648	190
Research and development costs	(183,608)	(129,403)	(80,919)	(36,542)	(8,743)
General and administrative expenses	(54,033)	(29,395)	(16,170)	(12,543)	(6,607)
Operating loss	(172,936)	(149,058)	(94,335)	(44,437)	(15,160)
Net financial income / (expenses)	12,697	1,345	(834)	(281)	140
Net loss for the year	(160,239)	(147,713)	(95,169)	(44,718)	(15,020)
Balance Sheet					
Cash and cash equivalents	331,740	464,658	87,224	9	10,621
Total assets	381,912	507,057	136,357	24,538	17,401
Share capital	31,771	30,370	4,429	2,634	1,746
Total equity	325,689	458,083	92,430	(1,647)	14,130
Investment in property, plant and equipment	5,900	7,222	13,572	15,169	4,348
Cash Flow Statement					
Cash flow from operating activities	(130,727)	(125,813)	(86,771)	(43,530)	(15,057)
Cash flow from investing activities	(7,298)	(7,222)	(13,572)	(15,169)	(4,348)
Cash flow from financing activities	3,769	510,469	187,558	48,087	22,040
Cash and cash equivalents at period end	331,740	464,658	87,224	9	10,621
Financial Ratios (in DKK)					
Basic and diluted EPS	(5.19)	(7.65)	(6.82)	(4.58)	(3.00)
Weighted average number of shares	30,875,434	19,313,737	13,965,252	9,768,052	5,014,244
Average number of employees (FTEs)	64	44	35	21	8
Assets/equity	1.17	1.11	1.48	N/A	1.23

Key Figures and Ratios (EUR)

	2007 EUR'000*	2006 EUR'000*	2005 EUR'000*	2004 EUR'000*	2003 EUR'000*
Income Statement					
Revenue	8,678	1,306	369	623	25
Research and development costs	(24,624)	(17,354)	(10,852)	(4,901)	(1,173)
General and administrative expenses	(7,246)	(3,942)	(2,169)	(1,682)	(886)
Operating loss	(23,192)	(19,990)	(12,651)	(5,959)	(2,033)
Net financial income / (expenses)	1,702	180	(112)	(38)	19
Net loss for the year	(21,490)	(19,810)	(12,763)	(5,997)	(2,014)
Balance Sheet					
Cash and cash equivalents	44,489	62,315	11,698	1	1,424
Total assets	51,217	68,000	18,287	3,291	2,334
Share capital	4,261	4,073	594	353	234
Total equity	43,678	61,433	12,396	(221)	1,895
Investment in property, plant and equipment	791	969	1,820	2,034	583
Cash Flow Statement					
Cash flow from operating activities	(17,532)	(16,873)	(11,637)	(5,838)	(2,019)
Cash flow from investing activities	(979)	(969)	(1,820)	(2,034)	(583)
Cash flow from financing activities	506	68,459	25,153	6,449	2,956
Cash and cash equivalents at period end	44,489	62,315	11,698	1	1,424
Financial Ratios (in EUR)					
Basic and diluted EPS	(0.70)	(1.03)	(0.91)	(0.61)	(0.40)
Weighted average number of shares	30,875,434	19,313,737	13,965,252	9,768,052	5,014,244
Average number of employees (FTEs)	64	44	35	21	8
Assets/equity	1.17	1.11	1.48	N/A	1.23

* The figures in EUR have been converted for convenience. These figures have not been audited.

BRADFORD S.
Born in 1987, he received a heart transplant in 2006. Bradford is a freshman college student.
" I am very lucky, and I want to tell everyone about the life saving benefits of organ transplantation"

Improving Treatment with Our Technology

Our proprietary MeltDose® technology has been designed to enhance the release and absorption of drug substances in the body by incorporating soluble forms of the drug in a tablet matrix.

Independent studies have shown that approximately 30% of existing drugs have suboptimal uptake and absorption due to low water-solubility. We believe that a large number of these drugs may be suitable candidates for our MeltDose® reformulation technology. MeltDose® may also be of value for new drugs for which low absorption of a particular drug presents a significant barrier to its final formulation and ultimately its development as an actual drug.

We believe the enhanced release and absorption (improved bioavailability) achieved by our MeltDose® technology may not only increase the effectiveness of these drugs but may also reduce their adverse side effects. Reduction of side effects would happen through decreased variability in the absorption of the drug, e.g. the interaction between food intake and degree of absorption and certain other dosing constraints.

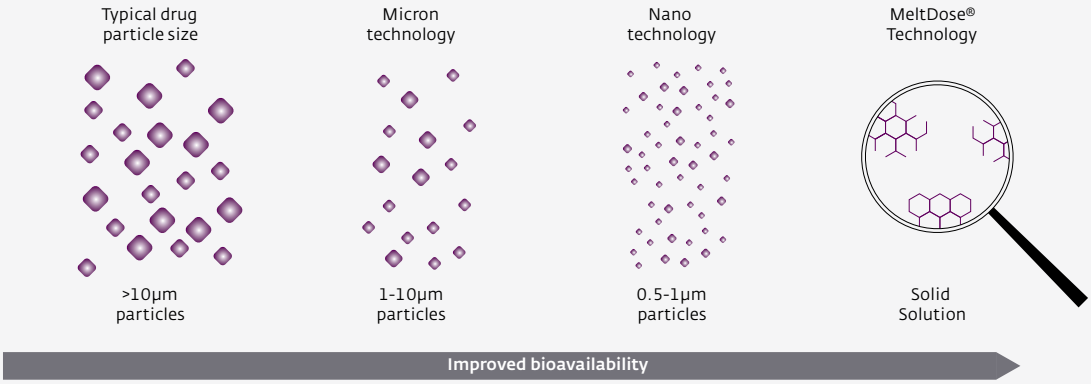
A large number of drugs on the market today would benefit from less variability in the absorption of the drug, as relatively high absorption often results in severe adverse side effects and relatively low absorption can result in decreased efficacy. A reduction in the variability of the absorption may result in drugs with loser dosing, reduced side effects and improved efficacy, safety and patient compliance.

The majority of conventional drug delivery technologies aimed at increasing bioavailability of compounds with low water-solubility rely on reduction of the particle size of the drug substance. The figure below shows a comparison of different formulation technologies in terms of particle size.

The MeltDose® technology platform enables the creation of new, potentially best-in-class, versions of existing marketed drugs as it enhances the bioavailability of compounds with low water-solubility. We believe the technology has broad application across a wide range of compounds and therapeutic areas.

Our proprietary MeltDose® technology has been validated in clinical studies, through the formation of several partnerships with leading international pharmaceutical companies and the approval by the FDA of our first commercialized cardiovascular product, Fenoglide™.

By applying our proprietary MeltDose® technology to create new versions of existing drugs, we believe we are able to develop products with differentiated characteristics significantly faster and cheaper and with a higher success rate as compared with traditional drug development. For example, Fenoglide™ was developed from pre-clinical trials to FDA approval for sale in the U.S. within five years as compared with a traditional drug development time of around 8-11 years.



By applying our proprietary MeltDose® technology to create new versions of existing drugs, we believe we are able to develop products with differentiated characteristics significantly faster and cheaper and with a higher success rate as compared with traditional drug development

The MeltDose® technology has been validated in clinical studies, through the formation of several partnerships with leading international pharmaceutical companies and the approval by the FDA of our first commercialized cardiovascular product, Fenoglide™

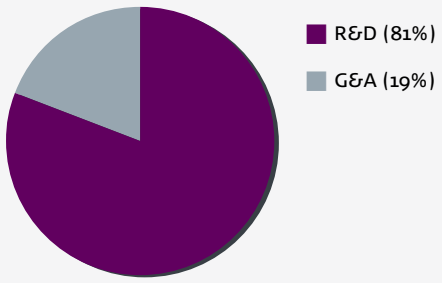
A Fast Growing Organization

LCP almost doubled the number of employees in 2007. At the beginning of the year, the Company had 44 employees and by the end of 2007 that number was 84. Although clinical results are paramount to the success of our business, the groundwork for that is laid by talented and devoted people who strive to achieve the best results within their respective area of expertise. Attracting and retaining committed and talented staff is crucial to our continued success and will still be in focus in 2008.

LCP's staff is predominantly employed in research and development. In total 68 employees work within research, pre-clinical and clinical development, while 16 are general and administrative staffs.

In 2007, LCP established a U.S. subsidiary in New York to support our clinical development, regulatory and commercial operations in the U.S. These U.S. clinical activities include Phase II and planned Phase III development, which will be the basis for the regulatory files needed to obtain FDA approval for products in LCP's pipeline.

Employees in R&D and G&A



Strategic Partnerships

LCP has the following strategic partnerships:

SCIELE PHARMA

In April 2007, LCP entered into an exclusive license agreement with Sciele Pharma, Inc. to market Fenoglide™ in the U.S., Canada and Mexico, in 120 mg and 40 mg strengths. LCP also entered into technology collaboration with a subsidiary of Sciele Pharma utilizing the MeltDose® technology platform for the lifecycle management of one of Sciele Pharma's products.

RECORDATI

In July 2004, Recordati, S.p. A. and LCP entered into a collaboration agreement (amended in May 2006) to jointly develop a new tablet formulation of lercanidipine HCl marketed by Recordati as Zanidip® using the MeltDose® technology.

SANDOZ

In September 2006, LCP entered into a collaboration agreement with Sandoz, Inc., a division of Novartis A.G., to jointly develop, manufacture and commercialize LCP-Feno as an AB-rated generic version of Tricor® for the U.S. market.

MYLAN

In June 2006, LCP entered into collaboration with Mylan, Inc. to develop, manufacture and commercialize LCP-Feno as a generic version of Lipanthyl® for the European market.

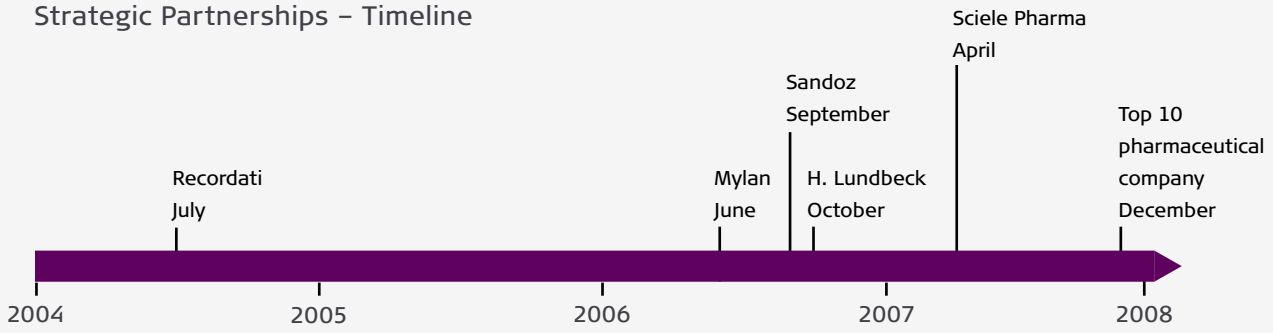
H. LUNDBECK

In October 2006, H. Lundbeck A/S and LCP entered into an agreement whereby LCP agreed to perform research and development activities concerning the formulation of two of H. Lundbeck A/S's internal pre-clinical CNS-related projects being developed using our MeltDose® technology.

TOP 10 PHARMACEUTICAL COMPANY

In December 2007, LCP entered into a feasibility study agreement with an undisclosed top 10 pharmaceutical company (based on 2006 gross revenues) regarding the use of LCP's MeltDose® technology to conduct a pre-clinical feasibility study in order to investigate a new formulation of one of the pharmaceutical company's product candidates.

Strategic Partnerships – Timeline



Risk Management

As an emerging specialty pharmaceutical company we are exposed to a number of critical risks, which may have significant impact on our ability to carry out our strategy. Strategic risk management is therefore essential to ensure that we proactively identify and manage the important risks.

As tools to identify and manage these risks we have implemented a control environment with adequate internal systems designed to reduce identified risks to an acceptable level. We assess the identified risks on an ongoing basis and report these risks to the Executive Management and the Board of Directors. The identified risks we are exposed to are within a number of areas, including research and development, commercial, financial and legal risks.

In the following we highlight some examples of these significant risks and how we address them.

RESEARCH AND DEVELOPMENT RISKS

Performing research and development work within the pharmaceutical industry is subject to significant risk. It is well known that new potential pharmaceutical products have to undergo a lengthy process from early research through clinical studies and development activities before they can be approved and registered for sale on the market. It is not unusual thal projects fail in the development process due to lack of efficacy or safety issues. We have established a number of scientific advisory boards with recognized experts and thought-leaders from the pharmaceutical industry and academia in the U.S. and Europe, who together with our own employees ensure the selection of our product candidates and monitor the progress of our projects.

Clinical studies, which are lengthy, time consuming and expensive and have uncertain outcomes, need to be conducted for our product candidates before commercialization. If we fail to obtain approval for commercialization of our product candidates, we may have to curtail our product development programs and our business can be materially harmed.

We seek to minimize such risk by having a number of products in development and we have implemented detailed project management tools to ensure early detection and reporting of risk related issues.

COMMERCIAL RISKS

Diverse commercial risk factors includes risks related to market acceptance, effective commercialization and competition related to Fenoglide™ and our product candidates, and the ability to retain and attract employees and partners. We continuously monitor and evaluate the market development and competitive landscape for our product and product candidates with an effort to proactively manage applicable risks. We have recently strengthened LCP's commercial group by adding in-house capabilities within business development.

Our business strategy provides us with the freedom to seek partners for certain of our product candidates and develop our own sales and marketing organization for other. We have in 2007 concluded a partnership agreement with Sciele Pharma for the sales and marketing of Fenoglide™ in the U.S., Canada and Mexico while we intend to commercialize LCP-Tacro for kidney and liver transplantation on the U.S. market ourselves, subject to successful conclusion of our clinical studies. We acknowledge that we do not have sufficient capabilities to commercialize products within especially the cardiovascular area. We therefore will continue to seek partners within areas where we assess such partners can achieve stronger financial results.

FINANCIAL RISKS

Our expenses and investments are primarily in Danish Kroner. However, our revenues and part of our expenses are in currencies other than Danish Kroner, primarily U.S. Dollars and Euros. Therefore, our expenses and any future investment or other income may be vulnerable to fluctuations in exchange rates. We currently do not enter into foreign exchange contracts to cover our exposure to exchange rate fluctuations. If we fail to manage foreign exchange risk adequately, our business results and expectations and the value of our Company may be adversely affected.

We do not have any interest bearing debt except for finance lease arrangements as outlined in note 15 to the financial statements. Our interest rate risk is therefore primarily related to our cash position and cash equivalents. It is essential to our activities to ensure we maintain our capital and maximizing at the same time the income derived from our excess cash without significantly increasing the risk. Currently our cash position is held in demand deposits with a major Danish bank.

LEGAL RISKS

Biotechnology and pharmaceutical companies are often involved in legal proceedings concerning a variety of issues, including product liability claims, claims related to quality and safety and infringement of intellectual property rights. Currently, we are not involved in any legal proceedings.

The appropriateness of LCP's insurance policies is assessed regularly, and at least once a year the Board of Directors reviews the insurance policies in detail. Currently, LCP carries product liability insurance for our product candidates in clinical development and for Fenoglide™.

At LCP, quality and safety matters are of utmost importance. A detailed quality assurance system is in place for in-house company activities as well as for our external partners and suppliers.

Although we believe that our activities relating to Fenoglide™ and our product candidates do not infringe any third-party intellectual property rights, we can never rule out that we may become involved in costly and time-consuming intellectual property litigation. Our product and product candidates are subject to ongoing freedom-of-operation analyses in relation to third parties' intellectual property rights, and our competitors' activities are constantly under surveillance.

Corporate Governance

The Company recognizes the value of an active and positive approach to the issue of corporate governance, including those aspects of corporate governance that are embodied in the Corporate Governance Recommendations issued by the OMX Nordic Exchange Copenhagen in 2005. The Company generally agrees with the Recommendations, and complies with a substantial number of these recommendations.

The Company has established a duly qualified Board of Directors in terms of professional background and experience within the Company's business area. The composition of the Board of Directors secures a diversity of relevant qualifications, nationalities, personalities and age in order for the Board to be able, also in the future, to perform its managerial and strategic duties given the Company's existing stage of development and direction going forward. In addition, our Articles of Association stipulate that the members of the Board of Directors are up for re-election each year at the annual general meeting. Also, Board members must retire from the Board of Directors at the annual general meeting immediately following his or her 70th birthday. Additionally, the activities of the Board are governed by internal rules of procedure.

The Board of Directors has established a Compensation Committee whose sole purpose is to evaluate and make recommendations to the Board of Directors regarding the remuneration paid to the members of Executive Management and the Board of Directors. Also, the Board of Directors has established an Audit Committee whose sole purpose is to review the Company's financial controls and to work with the Company's independent auditors in connection with their audit of the financial statements and make reports and recommendations to the Board of Directors on these matters. Both committees serve to assist the entire Board of Directors in its decision making processes, and the Company believes that the committees provide a valuable support for the work of the entire Board of Directors. Finally, the Company has established internal rules governing the allocation of powers between the Board of Directors and Executive Management.

However, the Company does not comply with all of the Recommendations. Such non-compliance is set out below:

- The Board of Directors has not elected a co-chairman and has not established a program to evaluate on an annual basis the skills and professional qualifications of each Board member. Likewise, no formal self-appraisal program of the Board and its work has been established. The Company believes that currently there is no need to formalize these matters given the relative size of the Board of Directors and the background of each Board member.

- Some of the members of the Board of Directors hold directorships in excess of the number of directorships prescribed in the Recommendations. The Company regards the Recommendations' limit for the number of directorships as guidance only and wishes to leave the matter to the professional judgment of each Board member.

- Four members of the Board of Directors have been issued warrants conferring a right to subscribe Shares in the Company. The Company believes that the ability to offer warrants as well as other forms of shares incentive compensation is necessary to attract key people from within the industry (whether as Board members, managers or employees).

- The Company reports remuneration for the Board of Directors and Executive Management on a group basis rather than on an individual basis. The Company does not believe that individual reporting is relevant for the appraisal of the Company and its performance.

- Due to the composition of the Board of Directors, none of the Company's Board committees have three members. However, the committees are not authorized to make independent decisions.

The Company intends to continue to actively pursue a strategy of good corporate governance consistent with the main contents of the Recommendations.

CHANGE OF CONTROL

The Danish Financial Statements Act has implemented the EU Takeovers Directive, which contains certain rules relating to listed companies on disclosure of information that may be of interest to the market and potential takeover bidders.

LCP has an agreement concerning the right to use certain manufacturing facilities which might alter, or terminate upon a change of control of the Company. A terminating of such contract will not materially affect the Company financially.

Shareholder Information

LCP strives to maintain an open and continuous dialogue with existing and potential shareholders, stakeholders and the general public. The Company aims for a high degree of openness and to effectively communicate information, respecting the principle of equal treatment of all market players

LCP publishes quarterly reports on the Company's development, including relevant financial information. In addition, LCP publishes details about the Company where such information is considered important to the pricing of its shares.

ABOUT OUR SHARES

LCP's shares were admitted to trading and official listing on the OMX Nordic Exchange Copenhagen on 13 November 2006 after our initial public offering of 12.65 million new shares. The symbol is "LCP" and the securities identification code (ISIN) is DK0060048148.

LCP is included in the MidCap+ segment of the Danish companies on the OMX Nordic Exchange Copenhagen.

SHARE CAPITAL

As of 31 December 2007 LCP had a registered share capital of DKK 31,770,705 with a nominal value of DKK 1 per share. LCP has only one share class and all shares have equal voting rights.

The Board of Directors is in the period up until July 2011 authorized, at one or more times, to increase the Company's share capital with up to nominal DKK 10,000,000. Further, the Board of Directors is authorized, until the annual general meeting in 2008 to arrange for the Company to acquire own shares up to a nominal value of 10% of the nominal share capital.

OWNERSHIP STRUCTURE

As of 31 December 2007, a total of 2,963 of LCP's shareholders were registered in the shareholder register. LCP invites all shareholders to register in the Company's shareholder register.

The following shareholders have reported ownership of 5 % or more of the Company's shares:

- H. Lundbeck A/S
- Novo A/S
- Alta Partners (Alta BioPharma Partners III, L.P., Alta Bio-Pharma III GmbH & Co. Beteiligungs KG and Alta Embarcadero BioPharma Partners III, LLC)

ANALYST COVERAGE

The following financial analysts frequently issue reports and updates on the LCP share:

- Carnegie Bank, Carsten Lønborg Madsen
- Danske Equities, Martin Parkhøi
- Morgan Stanley, Karl D. Bradshaw
- SEB Enskilda, Peter Sehested

INVESTOR RELATIONS CONTACT

Hans Christian Teisen, CFO
Tel. +45 36 13 29 70
E-mail: hct@lcpharma.com

Financial Calendar 2008

17 March 2008	Publication of Annual Report 2007
24 April 2008	Annual General Meeting
14 May 2008	Interim Financial Statements for the period ending 31 March 2008
27 August 2008	Interim Financial Statements for the period ending 30 June 2008
26 November 2008	Interim Financial Statements for the period ending 30 September 2008

Stock Exchange Releases 2007

Apart from the releases listed below the Company also issued eleven announcements covering issues such as trading by insiders and the share capital

2007-12-20:	LifeCycle Pharma announces agreement with Top 10 pharmaceutical company for the use of the MeltDose® technology
2007-12-03:	LifeCycle Pharma initiates phase II clinical trial for LCP-Tacro, an immunosuppressant to prevent organ rejection in liver transplant recipients
2007-11-30:	LifeCycle Pharma announces appointment of new Chief Financial Officer
2007-11-29:	LifeCycle Pharma announces new product candidate; initiates phase I clinical trial for sirolimus
2007-11-27:	LifeCycle Pharma announces financial results for the first 9 months of 2007
2007-11-20:	LifeCycle Pharma completes patient enrollment in phase II clinical trial of LCP-AtorFen for the treatment of Mixed Dyslipidemia
2007-11-07:	LifeCycle Pharma announces positive results from head-to-head clinical trial of LCP-Tacro versus Advagraf®
2007-10-26:	LifeCycle Pharma announces positive interim phase II clinical trial results for LCP-Tacro, an immunosuppressant for the treatment of kidney transplant patients
2007-09-05:	LifeCycle Pharma initiates head-to-head clinical trial of LCP-Tacro versus Advagraf®
2007-08-21:	LifeCycle Pharma A/S announces financial results for the first 6 months of 2007
2007-08-11:	LifeCycle Pharma and Sciele Pharma announce FDA approval of LCP-FenoChol
2007-07-12:	LifeCycle Pharma to initiate phase II clinical trial of LCP-AtorFen for the treatment of high cholesterol levels
2007-06-21:	LifeCycle Pharma to initiate phase II clinical trial of LCP-Tacro for organ transplantation
2007-05-31:	LifeCycle Pharma announces positive phase I clinical results - heads into U.S. phase II clinical trials for organ transplantation
2007-05-15:	LifeCycle Pharma receives U.S. patent for its MeltDose® technology
2007-05-09:	LifeCycle Pharma A/S announces financial results for the first 3 months of 2007
2007-05-01:	LifeCycle Pharma signs exclusive license agreement with Sciele Pharma to market a new formulation of fenofibrate in 120mg and 40mg dosage strengths – additional agreement for technology partnership
2007-04-24:	LifeCycle Pharma, passing of Annual General Meeting - subsequent constitution of the Board of Directors
2007-04-10:	LifeCycle Pharma summons Annual General Meeting
2007-03-06:	LifeCycle Pharma announces approval of its LCP-FenoChol product will not be subject to a so-called 30-month stay under the Hatch-Waxman Act
2007-03-05:	LifeCycle Pharma's Annual Financial Statement for 2006
2007-02-26:	LifeCycle Pharma announces positive data from LCP-AtorFen phase I clinical program
2007-01-16:	LifeCycle Pharma's updated financial calendar 2007

Board of Directors and Executive Management

BOARD OF DIRECTORS

Dr. Claus Braestrup, Chairman

Claus Braestrup, M.S., M.D., has been a Board member since March 2006 and Chairman of our Board of Directors since September 2006. Dr. Braestrup is President and CEO of H. Lundbeck A/S.

Directorships:
Lundbeck Cognitive Therapeutics A/S (Chairman)
Lundbeck International Neuroscience Foundation
Profound Invest A/S
University of Copenhagen
Santaris Pharma A/S

Dr. Thomas Dyrberg

Thomas Dyrberg, M.D., D.M.Sc., has been a Board member since September 2003. Dr. Dyrberg has served as a Partner at Novo Ventures, Novo A/S, a Danish firm that provides capital for life science companies, since December 2000.

Directorships:
Sapphire Therapeutics, Inc.
Lux Biosciences, Inc
Ophthotech Corp.

Dr. Jean Deleage

Jean Deleage, M.S., Ph.D. has been a Board member since June 2005. He is a founder and managing director of Alta Partners, a venture capital firm founded in 1996 and investing in information technologies and life science companies.

Directorships:
PamGene B.V. (Chairman)
IDM Pharma, Inc.
Kosan Biosciences Incorporated
Rigel Pharmaceuticals, Inc.
7TM A/S
Innate Pharma SA
Nereus Pharmaceuticals, Inc.
Plexxikon, Inc.
Torrey Pines Therapeutics, Inc.
U3 Pharma AG

Dr. Gérard Soula
Gérard Soula, Ph.D., M.B.A., has been a Board member since November 2005. Dr. Soula founded in December 2005, and is presently the President and CEO of, Proteins & Peptides Management.

Kurt Anker Nielsen

Kurt Anker Nielsen, M.Sc, has been a Board member since September 2006.

Directorships:
Reliance A/S (Chairman)
Novozymes A/S (Vice Chairman)
Novo Nordisk Foundation
Novo Nordisk A/S
ZymoGenetics, Inc.
StatoilHydro ASA
Vestas Wind Systems A/S

Listed on these pages are short biographies for the members of the Board of Directors and the Executive Management of LifeCycle Pharma A/S. The full CVs of the individual board members and executives are available from the 'About us' section of our website

REGISTERED MANAGEMENT

Flemming Ørnskov, M.D., M.B.A, M.P.H.
President and Chief Executive Officer

Dr. Flemming Ørnskov has served as our Chief Executive Officer since September 2006. From September 2005 to September 2006 he was a director and chairman of our Board of Directors.

Directorships:
Santaris Pharma A/S (Chairman)
Astion Pharma A/S (Chairman)

Prior positions:
Ikaria, Inc.
President and CEO, 2005 to 2006
Novartis
President of the Ophthalmics Business Unit, 2003 to 2005
Novartis
Vice President, Head of the U.S. CV Therapeutic Franchise, 2001 to 2002

Hans Christian Teisen, M.Sc, M.B.A.
Senior Vice President and Chief Financial Officer

Hans Christian Teisen assumes the position as our Chief Financial Officer in March 2008. Previously he was Executive Vice President and Chief Financial Officer at Bavarian Nordic A/S, where he was also responsible for commercial affairs.

Prior positions:
Bavarian Nordic A/S
Executive Vice President & CFO, 2004 to 2008
Rockwool International A/S
Vice President of Finance, IT, Procurement & Strategy, 1999 to 2004
Rockwool International A/S
Project Manager, 1997 to 1999

From 2003 and until 29 February 2008, **Mr. Michael Wolff Jensen** served as the Company's Executive Vice President and Chief Financial Officer.

OTHER MEMBERS OF EXECUTIVE MANAGEMENT

Michael Beckert, M.D.
Executive Vice President and Chief Medical Officer

Dr. Michael Beckert has served as our CMO since 2004.

Prior positions:
SkyePharma AG
Medical Director, 2003 to 2004
Scil Biomedicals GmbH
Executive Vice President & Chief Medical Officer, 1999 to 2002
MSD
Senior Manager, Clinical Development, 1996 to 1999

Peter G. Nielsen
Executive Vice President of Pharmaceutical Development and CMC

Peter G Nielsen has served as responsible for our CMC area including drug delivery research, pharmaceutical development and manufacturing activities since early 2007.

Prior positions:
Novo Nordisk A/S
Corporate Vice President, Formulation & Clinical Supplies, 2005 to 2007
Novo Nordisk A/S
Vice President, CMC Development, 2002 to 2005
Novo Nordisk A/S
Vice President, Pharmaceutical Development, 1997 to 2002

Executive Management's and Board of Director's Statement on the Annual Report

The Executive Management and the Board of Directors have today considered and adopted the Annual Report of LifeCycle Pharma A/S for the financial year 2007.

The Annual Report is prepared in accordance with the International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for the annual reports of listed companies.

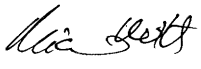
We consider the applied accounting policies to be appropriate and, in our opinion, the Annual Report gives a true and fair view of the assets and liabilities, financial position, results of operation and cash flow of the Group and the Parent Company.

The Annual Report will be submitted to the annual general meeting for approval.

Hørsholm, February 28, 2008

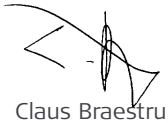
EXECUTIVE MANAGEMENT

Flemming Ørnskov



Michael Wolff Jensen

BOARD OF DIRECTORS



Claus Braestrup
(Chairman)

Kurt Anker Nielsen

Thomas Dyrberg

Jean Deleage

Gérard Soula

Independent Auditor's Report

TO THE SHAREHOLDERS OF LIFECYCLE PHARMA A/S

We have audited the annual report of LifeCycle Pharma A/S for the financial year January 1 to December 31, 2007, which comprises directors' report, statement by the executive management and board of directors on the annual report, income statement, balance sheet, cash flow statement, statement of changes in equity and notes to the financial statements for the group as well as for the parent company. The annual report is prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

MANAGEMENT'S RESPONSIBILITY FOR THE ANNUAL REPORT

Management is responsible for the preparation and fair presentation of the annual report in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of an annual report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the annual report based on our audit. We conducted our audit in accordance with Danish auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the annual report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the annual report 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 Entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual report.

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

Our audit has not resulted in any qualification.

OPINION

In our opinion, the annual report gives a true and fair view of the financial position at December 31, 2007 of the group and the parent company and of the results of the group's and the parent company's operations and cash flows for the financial year January 1 to December 31, 2007 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

Copenhagen, February 28, 2008

PricewaterhouseCoopers
Statsautoriseret Revisionsaktieselskab

Lars Holtug
State Authorized
Public Accountant

Claus Køhler Carlsson
State Authorized
Public Accountant

GAIL U. (WITH HER LIVING DONOR, PAULA M.)
Born in 1943, she received a kidney transplant in 2006. Gail is a university math teacher.
Paula works at a hair salon and Gail was her client and they became friends.
When Paula learned of Gail´s kidney disease she wanted to be tested to see if she could help.
Paula was a perfect match. In 2006, Paula gave Gail one of her kidneys. Paula and Gail are both doing great.

Content

Income Statement

for the period 1 January - 31 December

		Consolidated		Consolidated		Parent Company	
		2007	2006	2007	2006	2007	2006
	Note	DKK'000	DKK'000	EUR'000*	EUR'000*	DKK'000	DKK'000
Revenue		64,705	9,740	8,678	1,306	64,705	9,740
Research and development costs	4,5	(183,608)	(129,403)	(24,624)	(17,354)	(182,327)	(129,403)
General and administrative expenses	4,5	(54,033)	(29,395)	(7,246)	(3,942)	(53,200)	(29,395)
Operating loss		**(172,936)**	**(149,058)**	**(23,192)**	**(19,990)**	**(170,822)**	**(149,058)**
Financial income	6	18,553	2,993	2,488	401	19,118	2,993
Financial expenses	7	(5,856)	(1,648)	(786)	(221)	(5,856)	(1,648)
Loss before tax		**(160,239)**	**(147,713)**	**(21,490)**	**(19,810)**	**(157,560)**	**(147,713)**
Tax for the year	8	-	-	-	-	-	-
Net loss for the year		**(160,239)**	**(147,713)**	**(21,490)**	**(19,810)**	**(157,560)**	**(147,713)**
Basic and diluted EPS (in DKK / EUR)		(5.19)	(7.65)	(0.70)	(1.03)	(5.10)	(7.65)
Weighted average number of shares		30,875,434	19,313,737	30,875,434	19,313,737	30,875,434	19,313,737

* The figures in EUR have been converted for convenience. These figures have not been audited.

The Board of Directors proposes the net loss for the year to be carried forward to next year.

Balance Sheet

– Assets at 31 December

		Consolidated		Consolidated		Parent Company	
		2007	2006	2007	2006	2007	2006
	Note	DKK'000	DKK'000	EUR'000*	EUR'000*	DKK'000	DKK'000
Licenses and rights	9	729	779	98	104	729	779
Intangible assets		**729**	**779**	**98**	**104**	**729**	**779**
Property, plant and equipment	10	21,837	23,264	2,929	3,120	21,636	23,264
Leasehold improvements	10	6,220	5,848	834	784	5,982	5,848
Tangible fixed assets		**28,057**	**29,112**	**3,763**	**3,904**	**27,618**	**29,112**
Equity interest in subsidiary	11	-	-	-	-	2,592	-
Financial fixed assets		**0**	**0**	**0**	**0**	**2,592**	**0**
Non-current assets		**28,786**	**29,891**	**3,861**	**4,008**	**30,939**	**29,891**
Receivable from subsidiary		-	-	-	-	3,709	-
Trade receivables		3,842	6,707	515	899	3,842	6,707
Other receivables		14,379	5,430	1,928	728	14,294	5,430
Prepayments		3,165	371	424	50	2,852	371
Receivables		**21,386**	**12,508**	**2,867**	**1,677**	**24,697**	**12,508**
Cash and cash equivalents		**331,740**	**464,658**	**44,489**	**62,315**	**325,268**	**464,658**
Current assets		**353,126**	**477,166**	**47,356**	**63,992**	**349,965**	**477,166**
Assets		**381,912**	**507,057**	**51,217**	**68,000**	**380,904**	**507,057**

* The figures in EUR have been converted for convenience. These figures have not been audited.

Balance Sheet

– Equity and Liabilities at 31 December

		Consolidated		Consolidated		Parent Company	
		2007	2006	2007	2006	2007	2006
	Note	DKK'000	DKK'000	EUR'000*	EUR'000*	DKK'000	DKK'000
Share capital	12	31,771	30,370	4,261	4,073	31,771	30,370
Share premium		724,645	717,039	97,182	96,162	724,645	717,039
Translation reserves		821	-	110	-	-	-
Retained earnings/loss		(431,548)	(289,326)	(57,875)	(38,802)	(428,870)	(289,326)
Equity		**325,689**	**458,083**	**43,678**	**61,433**	**327,546**	**458,083**
Finance lease	15	20,416	24,665	2,738	3,308	20,416	24,665
Non-current liabilities		**20,416**	**24,665**	**2,738**	**3,308**	**20,416**	**24,665**
Finance lease	15	5,092	6,081	683	816	5,092	6,081
Trade payables		15,066	11,957	2,020	1,604	14,469	11,957
Deferred revenue		1,716	373	230	50	1,716	373
Debt to shareholders		-	166	-	22	-	166
Other payables		13,933	5,732	1,868	767	11,665	5,732
Current liabilities		**35,807**	**24,309**	**4,801**	**3,259**	**32,942**	**24,309**
Liabilities		**56,223**	**48,974**	**7,539**	**6,567**	**53,358**	**48,974**
Equity and liabilities		**381,912**	**507,057**	**51,217**	**68,000**	**380,904**	**507,057**

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* The figures in EUR have been converted for convenience. These figures have not been audited.

Cash Flow Statement

for the period 1 January - 31 December

		Consolidated		Consolidated		Parent Company	
		2007	2006	2007	2006	2007	2006
	Note	DKK'000	DKK'000	EUR'000*	EUR'000*	DKK'000	DKK'000
Operating loss		**(172,936)**	**(149,058)**	**(23,192)**	**(19,990)**	**(170,822)**	**(149,058)**
Share-based payment	5	18,017	13,208	2,416	1,771	16,299	13,208
Depreciation and amortization	4	7,004	5,576	939	748	6,981	5,576
Net loss on sale of fixed assets		60	-	8	-	60	-
Changes in working capital	18	3,558	3,116	477	418	1,222	3,116
Cash flow from operating activities before interest		**(144,297)**	**(127,158)**	**(19,352)**	**(17,053)**	**(146,260)**	**(127,158)**
Interest received		17,914	2,993	2,402	401	18,382	2,993
Interest paid		(4,344)	(1,648)	(583)	(221)	(4,344)	(1,648)
Corporate tax paid	8	-	-	-	-	-	-
Cash flow from operating activities		**(130,727)**	**(125,813)**	**(17,533)**	**(16,873)**	**(132,222)**	**(125,813)**
Purchase of property, plant and equipment		(5,900)	(7,222)	(791)	(969)	(5,437)	(7,222)
Net loss on sale of property, plant and equipment		(60)	-	(8)	-	(60)	-
Cash transfer to restricted security deposit		(1,338)	-	(179)	-	-	-
Investment in subsidiaries		-	-	-	-	(2,592)	-
Receivable from subsidiaries		-	-	-	-	(2,848)	-
Cash flow from investing activities		**(7,298)**	**(7,222)**	**(978)**	**(969)**	**(10,937)**	**(7,222)**
Proceeds from bank borrowings and finance lease		1,118	5,251	150	705	1,118	5,251
Instalments on bank borrowings and finance lease		(6,356)	(4,829)	(852)	(648)	(6,356)	(4,829)
Proceeds from issuance of shares, net		9,007	510,047	1,208	68,402	9,007	510,047
Cash flow from financing activities		**3,769**	**510,469**	**506**	**68,459**	**3,769**	**510,469**
Increase/(decrease) in cash and cash equivalents		**(134,256)**	**377,434**	**(18,005)**	**50,617**	**(139,390)**	**377,434**
Cash and cash equivalents at beginning of the year		464,658	87,224	62,315	11,698	464,658	87,224
Cash and cash equivalents at end of the year		**330,402**	**464,658**	**44,310**	**62,315**	**325,268**	**464,658**
Cash and cash equivalents at end of period comprise:							
Restricted bank deposit		1,338	-	179	-	-	-
Deposit on demand and cash		330,402	464,658	44,310	62,315	325,268	464,658
		331,740	**464,658**	**44,489**	**62,315**	**325,268**	**464,658**

* The figures in EUR have been converted for convenience. These figures have not been audited.

Statement of Changes in Equity

– Consolidated

	Number of shares	Share capital DKK'000	Share premium DKK'000	Translation reserves DKK'000	Retained earnings DKK'000	Total DKK'000	Total EUR'000*
Equity as of 1 January 2006	**4,428,569**	**4,429**	**242,822**	**0**	**(154,821)**	**92,430**	**12,396**
Comprehensive income:							
Net loss for the year					(147,713)	(147,713)	(19,810)
Total comprehensive income						(147,713)	(19,810)
Issuance of shares	12,650,000	12,650	543,950			556,600	74,645
Warrant exercises	1,385	1	42			43	6
Share-based payment					13,208	13,208	1,771
Bonus Shares	13,289,862	13,290	(13,290)			-	-
Costs related to capital increases			(56,485)			(56,485)	(7,575)
Equity as of 31 December 2006	**30,369,816**	**30,370**	**717,039**	**0**	**(289,326)**	**458,083**	**61,433**
Comprehensive income:							
Net loss for the year					(160,239)	(160,239)	(21,490)
Exchange rate adjustment of investments in subsidiaries				821		821	110
Total comprehensive income						(159,418)	(21,380)
Warrant exercises	1,400,889	1,401	7,663			9,064	1,216
Share-based payment					18,017	18,017	2,416
Costs related to capital increases			(57)			(57)	(7)
Equity as of 31 December 2007	**31,770,705**	**31,771**	**724,645**	**821**	**(431,548)**	**325,689**	**43,678**

* The figures in EUR have been converted for convenience. These figures have not been audited.

Statement of Changes in Equity

– Parent Company

	Number of shares	Share capital DKK'000	Share premium DKK'000	Translation reserves DKK'000	Retained earnings DKK'000	Total DKK'000	Total EUR'000*
Equity as of 1 January 2006	**4,428,569**	**4,429**	**242,822**	**0**	**(154,821)**	**92,430**	**12,396**
Comprehensive income:							
Net loss for the year					(147,713)	(147,713)	(19,810)
Total comprehensive income						(147,713)	(19,810)
Issuance of shares	12,650,000	12,650	543,950			556,600	74,645
Warrant exercises	1,385	1	42			43	6
Share-based payment					13,208	13,208	1,771
Bonus Shares	13,289,862	13,290	(13,290)			-	-
Costs related to capital increases			(56,485)			(56,485)	(7,575)
Equity as of 31 December 2006	**30,369,816**	**30,370**	**717,039**	**0**	**(289,326)**	**458,083**	**61,433**
Comprehensive income:							
Net loss for the year					(157,560)	(157,560)	(21,130)
Total comprehensive income						(157,560)	(21,130)
Warrant exercises	1,400,889	1,401	7,663			9,064	1,216
Share-based payment					18,017	18,017	2,416
Costs related to capital increases			(57)			(57)	(7)
Equity as of 31 December 2007	**31,770,705**	**31,771**	**724,645**	**0**	**(428,870)**	**327,546**	**43,927**

* The figures in EUR have been converted for convenience. These figures have not been audited.

The share capital is not available for distribution, while other reserves are distributable for dividend purposes subject to the provision of the Danish Public Companies Act.

Notes

NOTE 1 | PRINCIPAL ACTIVITIES

LCP is an emerging specialty pharmaceutical company, focused on certain cardiovascular indications and the transplantation market in particular. The intention is to approach the transplantation market through our own, hospital-based specialist sales force and to use marketing and sales partners for the cardiovascular indications. We currently have one product on the market, seven clinical development programs covering five product candidates and three product candidates in preclinical development.

The Company's proprietary MeltDose® technology platform is designed to enhance the release and absorption of drugs in the body by incorporating the drug in a soluble form in a tablet matrix, for example as a solid solution. By applying our MeltDose® technology to create new versions of existing drugs, we believe we are able to develop products with differentiated characteristics significantly faster and cheaper and with a higher success rate as compared with traditional drug development.

NOTE 2 | ACCOUNTING POLICIES

Basis of Presentation
The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and adopted by the EU, and additional Danish disclosure requirements for annual reports of listed companies. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The financial statements are presented in Danish Kroner (DKK), which is the functional and presentation currency of the Parent Company.

New Accounting Policies
Effective from January 1, 2007, the group has adopted the new and amended standards issued by the International Accounting Standards Board with effective dates as of January 1, 2007. The adoption of these new and amended standards has only affected the financial reporting of the group and the Parent Company in respect of additional disclosures.

Except for the adoption of the new and amended standards issued by the IASB, the accounting policies are consistent with the accounting policies used in prior year's financial statements.

Management's Judgments under IFRS
In preparing financial statements under IFRS, certain provisions in the standards require management's judgments. Such judgments are considered important to understand the accounting policies and the Company's compliance with the standards. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3, Critical Accounting Estimates and Judgments.

Consolidated Financial Statements
The consolidated financial statements include LifeCycle Pharma A/S (the Parent Company) and subsidiaries in which the Parent Company directly or indirectly exercises a controlling interest through shareholding or otherwise. Accordingly, the consolidated financial statements include LifeCycle Pharma A/S and LifeCycle Pharma, Inc. (collectively referred to as the LifeCycle Pharma group).

The group's consolidated financial statements have been prepared on the basis of the financial statements of the Parent Company and the subsidiary – prepared under the group's accounting policies – by combining similar accounting items on a line-by-line basis. On consolidation, intercompany income and expenses, intercompany receivables and payables, and unrealized gains and losses on transactions between the consolidated companies are eliminated.

The recorded value of the equity interests in the consolidated subsidiary is eliminated with the proportionate share of the subsidiary's equity. The subsidiary is consolidated from the date when control is transferred to the group.

The income statement for the foreign subsidiary is translated into the group's reporting currency at the year's weighted average exchange rate and the balance sheet is translated at the exchange rate in effect at the balance sheet date. Exchange rate differences arising from the translation of the foreign subsidiary's shareholders' equity at the beginning of the year, and exchange rate differences arising as a result of the foreign subsidiary's income statement being translated at average exchange rates, are recorded in translation reserves in shareholders' equity.

Foreign Currency
Transactions in foreign currencies are translated at the exchange rates in effect at the date of the transaction.

Exchange rate gains and losses arising between the transaction date and the settlement date are recognized in the income statement as financial items.

Unsettled monetary assets and liabilities in foreign currencies are translated at the exchange rates in effect at the balance sheet date. Exchange rate gains and losses arising between the transaction date and the balance sheet date are recognized in the income statement as financial items.

Income Statement

Revenues
Revenues comprise milestone payments, royalties and cost reimbursement from research and development and commercialization agreements. Revenue is recognized when it is probable that future economic benefits will flow to the Company and these benefits can be measured reliably. Further, revenue recognition requires that all significant risks and rewards of ownership of the goods or services included in the transaction have been transferred to the buyer, and that LCP retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods or services sold.

Revenues are stated less of VAT, charges and discounts.

Research and Development Costs
Research and development costs comprise license costs, manufacturing costs, pre-clinical and clinical trial costs, salaries and other staff costs including pensions, and other costs including cost of premises, depreciation and amortization related to research and development activities.

Research costs are recognized in the income statement in the period to which they relate. Development costs are recognized in the income statement when incurred if the criteria for capitalization have not been met.

A development project involves a single product candidate undergoing a high number of tests to illustrate its safety profile and effect on human beings prior to obtaining the necessary approval from the appropriate authorities. Considering the general risk related to the development of pharmaceutical products, management has concluded that the future economic benefits associated with the individual development projects cannot be estimated with sufficient certainty until the project has been finalized and the necessary market approval of the final product has been obtained. As a consequence all development costs are recognized in the income statement in the period to which they relate.

General and Administrative Expenses
General and administrative expenses comprise salaries and other staff costs including pensions, office supplies, cost of premises, and depreciation and amortization related to administrative activities.

General and administrative expenses are recognized in the income statement in the period to which they relate.

Share-based Payment
Employees (including executive management), board members and external consultants have been granted warrants. For warrants granted after November 7, 2002 and not vested January 1, 2005, the fair value of the warrants at the grant date is recognized as an expense in the income statement over the vesting period. A corresponding amount is recognized in a reserve under shareholders' equity.

Financial Income and Expenses
Financial income and expenses comprise interest income and expenses, the interest portion related to finance lease contracts and realized and unrealized exchange rate gains and losses on transactions denominated in foreign currencies.

Corporate Tax
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognized in the income statement by the portion attributable to the income for the year, and recognized directly in equity by the portion attributable to transactions recognized directly in equity. Current tax payable or receivable is recognized in the balance sheet as tax calculated on the taxable income for the year adjusted for prepaid tax.

Deferred tax is recognized and measured under the liability method on all temporary differences between the carrying amount and tax value of assets and liabilities. The tax value of the assets is calculated based on the planned use of each asset.

Deferred tax is calculated in accordance with the tax regulations and tax rates that are expected to be in effect, considering the laws in force at the balance sheet date, when the deferred tax is estimated to crystallize as current tax. Changes in deferred tax resulting from changed tax rates are recognized in the income statement.

Deferred tax assets, including the tax value of tax losses carried forward, are recognized in the balance sheet at their estimated realizable value, either as a set-off against deferred tax liabilities, if such set-off is permitted for tax purpose, or as net tax assets. Deferred tax assets which are not recognized in the balance sheet are disclosed in a note to the financial statements.

Balance Sheet

Non-Current Assets

Intangible Assets
Intangible assets comprise acquired patent rights, which are measured at cost less accumulated amortization and impairment losses. The amortization period is determined based on the expected economic and technical useful life, and amortization is recognized on a straight-line basis over the expected useful life, which is 20 years.

Tangible Fixed Assets
Tangible fixed assets comprise process plant and machinery, other fixtures and fittings, tools and equipment and leasehold improvements. Tangible fixed assets are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the assets. Subsequent costs are included in the carrying amount of the asset or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the assets will flow to the Company and the costs of the items can be measured reliably. All repair and maintenance costs are charged to the income statement during the financial periods in which they are incurred.

Depreciation of tangible fixed assets is calculated using the straight-line method to allocate the cost to the residual value of the assets over the expected useful life as follows:

Process plant and machinery:	7 years
Other fixtures and fittings, tools and equipment:	3-5 years
Leasehold improvements:	7-9 years

Depreciation, impairment losses and gains or losses on disposal of tangible fixed assets is recognized in the income statement as research and development costs or as general and administrative expenses, as appropriate.

Equity Interests in Subsidiaries
In the separate financial statements of the Parent Company, equity interests in subsidiaries are recognized and measured at cost. Equity interests in foreign currencies are translated to the reporting currency by use of historical exchange rates prevailing at the time of investment.

Income is recognized from the investments only to the extent that distributions from accumulated profits are received. Distributions received in excess of such profits are regarded as a recovery of the investment and recognized as a reduction to the cost of the investment.

Impairment of Long-lived Assets
The carrying amount of long-lived assets is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If there are such indications, an impairment test is performed. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is determined as the higher of an asset's net selling price and its value in use. Value in use is calculated as the net present value of future cash inflow generated from the asset. For the purposes of assessing impairment, assets are grouped at the lower levels for which there are separately identifiable cash flows (cash-generating units). For corporate assets the assessment is carried out on entity level. Impairment losses are recognized in the income statement under the same line items as the related depreciation or amortization.

Current Assets

Trade Receivables
Trade receivables are measured in the balance sheet at the lower of amortized cost and net realizable value, which corresponds to the nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable.

Other Receivables
Other receivables are measured at fair value on initial recognition and subsequently measured at amortized cost according to the effective interest method less provision for impairment. Impairment losses are based on an individual evaluation of each amount collectible.

Prepayments
Prepayments comprise incurred costs related to a future financial period. Prepayments are measured at nominal value.

Cash and Cash Equivalents
Cash and cash equivalents comprise cash and deposits with financial institutions. Cash and cash equivalents are measured at amortized cost.

Shareholders' Equity
The share capital comprises the nominal amount of the Company's ordinary shares, each at a nominal value of DKK 1. All shares are fully paid.

The share premium reserve includes amounts paid as premium compared to the nominal value of the shares in connection with the Company's capital increases less external expenses which are directly attributable to the increases.

Translation reserves include exchange rate adjustments of equity investments in subsidiaries.

Non-Current Liabilities

Provisions
Provisions are recognized when the Company has an existing legal or constructive obligation as a result of events occurring prior to or on the balance sheet date, and it is probable that the utilization of economic resources will be required to settle the obligation. Provisions are measured at fair value.

Finance Leases
Leases of property, plant and equipment where the Company substantially has all the risks and rewards of ownership are classified as finance leases. Assets under finance leases are recognized in the balance sheet at the inception of the lease term at the lower of the fair value of the asset or the net present value of the future minimum lease payments. A liability equaling the asset is recognized in the balance sheet, allocated between non-current and current liabilities. Each lease payment is separated between an interest element, recognized as a financial expense, and a reduction of the lease liability.

Assets held under finance lease are depreciated over the shorter of the asset's useful life and the lease term.

Operating Lease Commitments
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged on a straight-line basis to the income statement as research and development costs or as general and administrative expenses, depending on the use of the asset.

The total commitment under operating leases is disclosed in the notes to the financial statements.

Current Liabilities

Trade Payables
Trade payables are measured at amortized cost, which is considered to be equal to the fair value due to the short-term nature of the liabilities.

Deferred Revenue
Deferred revenue reflects the part of revenue which has not been recognized as income immediately on receipt of payment and which concerns agreements with multiple components which cannot be separated. Deferred revenue is measured at the amount received.

Other Liabilities
Other liabilities are measured in the balance sheet at amortized cost, which is considered to be equal to the fair value due to the short-term nature of the liabilities.

Derivative Financial Instruments
LCP does not have derivative financial instruments.

Cash Flow Statement
The cash flow statement is presented using the indirect method with basis in operating loss and shows cash flow from operating, investing and financing activities as well as the cash and cash equivalents at the beginning and end of each financial year.

Cash flows from operating activities are calculated as the operating profit/loss adjusted for non-cash operating items such as share-based payment, depreciation, amortization and impairment losses, working capital changes and financial income and expenses received or paid.

Cash flows from investing activities comprise cash flows from purchase and sale of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise cash flows from issuance of shares net of costs, raising and repayment of non-current loans including installments on finance lease liabilities.

Cash and cash equivalents comprise cash at hand and deposits with financial institutions.

The cash flow statement cannot be derived solely from the financial statements.

Segment Reporting
The group is managed and operated as one business unit. No separate business areas or separate business units have been identified in relation to product candidates or geographical markets. Accordingly, the Company's management has concluded that it is not relevant to disclose segment information on business segments or geographical markets.

Definition of Financial Ratios

Basic EPS
Basic Earnings per share (EPS) is calculated as the net income/loss from continuing operations for the period divided by the weighted average number of ordinary shares outstanding.

Diluted EPS
Diluted earnings per share is calculated as the net income/loss from continuing operations for the period divided by the weighted average number of ordinary shares outstanding adjusted for the dilutive effect of share equivalents.

As the income statement shows a net loss, no adjustment has been made for the dilutive effect.

$$\text{Assets/Equity} = \frac{\text{Total assets}}{\text{Equity}}$$

$$\text{Average number of employees} = \frac{\text{Total ATP}}{\text{Annual amount ATP per employee}}$$

ATP is a mandatory Danish pension contribution, determined with basis in the number of hours worked in each period.

New International Financial Reporting Standards

The IASB has issued and the EU has adopted a number of new standards and made updates to some of the existing standards, the majority of which are effective as of January 1, 2009 or later. The financial reporting of LCP is expected to be affected by such new or improved standards to the extent described below.

IAS 1 (Revised) – Presentation of Financial Statements
The revised IAS 1 prescribes that transactions with owners are analyzed separately from those relating to the performance of the entity. Further, the revised standard introduces a new statement of comprehensive income and introduces a new terminology for the elements of a set of financial statements. No significant impact is expected on the Company's financial reporting from this revised standard.

IAS 23 (Revised) – Borrowing Costs
The revised IAS 23 eliminates the option of expensing all borrowing costs and requires borrowing costs to be capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. No significant impact is expected on the Company's financial reporting from this revised standard.

IFRS 8 – Operating Segments
IFRS 8, "Operating Segments" replaces IAS 14, "Segment Reporting" and adopts a full management approach to identifying and measuring the results of reportable operating segments. Further, IFRS 8 introduces additional disclosure requirements. No significant impact is expected on the Company's financial reporting from IFRS 8.

The IASB has issued a number of new interpretations, which are effective for future financial years. Some of these have been adopted by the EU. No significant impact is expected on the Company's financial reporting from these interpretations.

LCP will adopt all the new standards in accordance with the transitional provisions of each standard.

NOTE 3 | CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

In preparing financial statements under IFRS, certain provisions in the standards require management's judgments. Such judgments are considered important to understand the accounting policies and the Company's compliance with the standards. The following summarizes the areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements.

Revenue Recognition
IAS 18, "Revenues" prescribes the criteria to be fulfilled for revenue being recognizable. Evaluating the criteria for revenue recognition with respect to the Company's research and development and commercialization agreements requires management's judgment to ensure that all criteria have been fulfilled prior to recognizing any amount of revenue. All the Company's revenue generating transactions are analyzed by management to ensure recognition in accordance with IFRS.

Internally Generated Intangible Assets
IAS 38, "Intangible Assets" prescribes that intangible assets arising from development projects must be recognized in the balance sheet if the criteria for capitalization are met. That means (1) that the development project is clearly defined and identifiable; (2) that technological feasibility, adequate resources to complete and a market for the product or an internal use of the project can be documented; and (3) that the Company's management has the intent to produce and market the product or use it internally.

Such an intangible asset shall be recognized if it can be documented that the future income from the development project will exceed the aggregate cost of development, production, sale and administration of the product.

Management believes that future income from the development projects cannot be determined with sufficient certainty until the development activities have been completed and the necessary approvals have been obtained. Accordingly, management has decided not to recognize such internally generated intangible assets at this time.

Joint Ventures / Collaboration Agreements
Collaboration agreements within the Company's industry are often structured so that each party contributes its respective skills in the various phases of a development project. No joint control exists for such collaborations and the parties do not have any financial obligations on behalf of each other. Accordingly, the collaborations are not considered to be joint ventures as defined in IAS 31, "Financial Reporting of Interests in Joint Ventures".

Except for the above areas, assumptions and estimates are not considered to be critical to the financial statements. No estimates or judgments have been made involving a material risk of significant adjustments of the assets or liabilities at the balance sheet date.

NOTE 4 | DEPRECIATION AND AMORTIZATION

	Consolidated		Consolidated		Parent Company	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
	DKK'000	**DKK'000**	**EUR'000***	**EUR'000***	**DKK'000**	**DKK'000**
Licenses and rights	50	50	7	7	50	50
Property, plant and equipment	6,060	4,175	813	560	6,048	4,175
Leasehold improvements	894	879	120	118	883	879
(Gain) / loss on sale of property, plant and equipment	60	472	8	63	60	472
Total	**7,064**	**5,576**	**947**	**748**	**7,041**	**5,576**
Allocated by function:						
Research and development costs	5,628	5,461	754	732	5,609	5,461
General and administrative expenses	1,436	115	193	16	1,432	115
Total	**7,064**	**5,576**	**947**	**748**	**7,041**	**5,576**

* The figures in EUR have been converted for convenience. These figures have not been audited.

NOTE 5 | STAFF COSTS

	Consolidated		Consolidated		Parent Company	
	2007	2006	2007	2006	2007	2006
	DKK'000	DKK'000	EUR'000*	EUR'000*	DKK'000	DKK'000
Wages and salaries	53,035	37,574	7,113	5,039	45,412	37,574
Pension contributions	3,391	2,686	455	360	3,233	2,686
Other social security costs	2,835	282	380	38	2,387	282
Share-based payment	18,016	13,208	2,416	1,771	16,299	13,208
Total	**77,277**	**53,750**	**10,364**	**7,208**	**67,331**	**53,750**
Allocated by function:						
Research and development costs	52,089	30,993	6,986	4,156	44,423	30,993
General and administrative expenses	25,188	22,757	3,378	3,052	22,908	22,757
Total	**77,277**	**53,750**	**10,364**	**7,208**	**67,331**	**53,750**
Average number of employees (FTEs)	64	44	64	44	58	44
Remuneration of Board of Directors, Executive Management and Senior Managers:						
Board of Directors						
Cash remuneration	213	-	29	-	213	-
Share-based payment	574	833	77	112	574	833
	787	**833**	**106**	**112**	**787**	**833**
Executive Management						
Gross salary	4,610	5,266	618	707	4,137	5,266
Bonus	2,482	771	333	103	1,147	771
Pension contributions	239	-	32	-	239	-
Share-based payment	7,037	8,817	944	1,182	7,037	8,817
	14,368	**14,854**	**1,927**	**1,992**	**12,560**	**14,854**
Senior Managers						
Gross salary	2,833	4,116	381	553	2,833	4,116
Bonus	720	761	97	102	720	761
Share-based payment	1,698	1,726	228	231	1,698	1,726
	5,251	**6,603**	**704**	**886**	**5,251**	**6,603**

* The figures in EUR have been converted for convenience. These figures have not been audited.

The senior managers have company cars, the costs of which are not included above.

In addition to the notice period for the Executive Management and the Senior Managers, which varies from 6 to 12 months, the notice period shall be prolonged to 24 months for the President and CEO Flemming Ørnskov in certain cases in connection with a change of control in the Company.

The Company's and the group's pension schemes are defined contribution schemes and LCP has no additional payment obligations.

The Company has implemented a company-wide (including management) remuneration policy with a bonus element. Hence a certain percentage of each employee's remuneration is dependent on the employee and the company specified goals and objectives agreed upon at the beginning of each year. The Company intends to gradually increase the bonus element of its remuneration policy in the coming years to further develop a high-performing and ambitious organization.

Board and Executive Management's Holdings of Shares and Warrants

	As per 31 December 2007		As per 31 December 2006	
	Shares	**Warrants**	**Shares**	**Warrants**
Board of Directors				
Claus Braestrup	-	10,000	-	-
Kurt Anker Nielsen	-	-	-	-
Thomas Dyrberg	8,800	10,000	-	-
Jean Deleage	-	17,500	-	-
Gérard Soula	-	67,500	-	50,000
Executive Management				
Flemming Ørnskov	-	1,373,138	-	1,373,138
Michael Wolff Jensen	116,901	402,284	16,901	502,284

NOTE 6 | FINANCIAL INCOME

	Consolidated		Consolidated		Parent Company	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
	DKK'000	**DKK'000**	**EUR'000***	**EUR'000***	**DKK'000**	**DKK'000**
Interest income	16,586	-	2,224	-	16,575	-
Interest income from group companies	-	-	-	-	576	-
Exchange rate gains	1,967	-	264	-	1,967	-
Other financial income	-	2,993	-	401	-	2,993
Total	**18,553**	**2,993**	**2,488**	**401**	**19,118**	**2,993**

* The figures in EUR have been converted for convenience. These figures have not been audited.

NOTE 7 | FINANCIAL EXPENSES

	Consolidated		Consolidated		Parent Company	
	2007	2006	2007	2006	2007	2006
	DKK'000	DKK'000	EUR'000*	EUR'000*	DKK'000	DKK'000
Interest expenses	18	131	2	18	18	131
Interest on finance leases	1,624	1,443	218	194	1,624	1,443
Exchange rate losses	4,214	67	566	8	4,214	67
Other financial expenses	-	7	-	1	-	7
Total	**5,856**	**1,648**	**786**	**221**	**5,856**	**1,648**

* The figures in EUR have been converted for convenience. These figures have not been audited.

NOTE 8 | TAX AND DEFERRED TAX

	Consolidated		Consolidated		Parent Company	
	2007	2006	2007	2006	2007	2006
	DKK'000	DKK'000	EUR'000*	EUR'000*	DKK'000	DKK'000
Income tax for the year can be explained as follows:						
Income / (loss) for the year before tax	(160,239)	(147,713)	(21,490)	(19,810)	(157,560)	(147,713)
Computed tax on income / (loss) for the year	(40,390)	(41,360)	(5,417)	(5,547)	(39,390)	(41,360)
Adjustment to tax for prior year	795	-	107	-	795	-
Change in tax losses carried forward not capitalized	26,622	40,859	3,570	5,480	26,607	40,859
Change in other deferred tax assets not capitalized	(158)	49	(21)	7	(1,143)	49
Tax on equity postings	(14)	(3,266)	(2)	(438)	(14)	(3,266)
Other permanent adjustments	4,086	3,718	548	498	4,086	3,718
Change in tax rate	9,059	-	1,214	-	9,059	-
Income tax for the year	**0**	**0**	**0**	**0**	**0**	**0**
Tax rate	**25%**	**28%**	**25%**	**28%**	**25%**	**28%**
Calculated deferred tax asset	110,686	84,550	14,844	11,339	110,014	84,550
Write down to assessed value	(110,686)	(84,550)	(14,844)	(11,339)	(110,014)	(84,550)
Carrying amount	**0**	**0**	**0**	**0**	**0**	**0**
The components of the deferred tax asset is as follows:						
Intangible assets	93	89	12	12	93	89
Property, plant and equipment	(2,579)	(4,601)	(346)	(617)	(2,581)	(4,601)
Leasehold improvements	(1,495)	(1,637)	(200)	(220)	(1,495)	(1,637)
Finance leases	6,377	8,609	855	1,155	6,377	8,609
Deferred income	429	-	58	-	429	-
Accrued liabiltiies	-	1,506	-	202	-	1,506
Tax losses carried forward	107,861	80,584	14,465	10,807	107,191	80,584
Total	**110,686**	**84,550**	**14,844**	**11,339**	**110,014**	**84,550**

* The figures in EUR have been converted for convenience. These figures have not been audited.

The deferred tax asset has been written down, as it is uncertain whether or not the tax asset will be realized in future earnings. The deferred tax asset can be carried forward without limitations.

The effect of the tax rate changing from 28% to 25% effective for 2007 was a reduction of the deferred tax asset in the amount of DKK 9,059 thousand.

NOTE 9 | INTANGIBLE ASSETS

	Consolidated		Consolidated		Parent Company	
	2007	2006	2007	2006	2007	2006
	DKK'000	DKK'000	EUR'000*	EUR'000*	DKK'000	DKK'000
Cost at 1 January	1,000	1,000	134	134	1,000	1,000
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Cost at 31 December	**1,000**	**1,000**	**134**	**134**	**1,000**	**1,000**
Amortization at 1 January	(221)	(171)	(29)	(22)	(221)	(171)
Amortization	(50)	(50)	(7)	(7)	(50)	(50)
Amortization at 31 December	**(271)**	**(221)**	**(36)**	**(29)**	**(271)**	**(221)**
Net book value at 31 December	**729**	**779**	**98**	**104**	**729**	**779**

* The figures in EUR have been converted for convenience. These figures have not been audited.

NOTE 10 | TANGIBLE FIXED ASSETS

Property, Plant and Equipment

	Consolidated		Consolidated		Parent Company	
	2007	2006	2007	2006	2007	2006
	DKK'000	DKK'000	EUR'000*	EUR'000*	DKK'000	DKK'000
Cost at 1 January	31,886	21,079	4,276	2,827	31,886	21,079
Additions	4,633	1,980	622	266	4,420	1,980
Transfer from prepayments for property, plant and equipment	-	9,426	-	1,264	-	9,426
Disposals	-	(599)	-	(81)	-	(599)
Cost at 31 December	**36,519**	**31,886**	**4,898**	**4,276**	**36,306**	**31,886**
Depreciation at 1 January	(8,622)	(4,574)	(1,156)	(613)	(8,622)	(4,574)
Depreciation	(6,060)	(4,175)	(813)	(560)	(6,048)	(4,175)
Depreciation on disposals	-	127	-	17	-	127
Depreciation at 31 December	**(14,682)**	**(8,622)**	**(1,969)**	**(1,156)**	**(14,670)**	**(8,622)**
Net book value at 31 December	**21,837**	**23,264**	**2,929**	**3,120**	**21,636**	**23,264**
Carrying amount of assets held under finance leases included above	15,849	20,920	2,125	2,806	15,849	20,920

* The figures in EUR have been converted for convenience. These figures have not been audited.

Leasehold Improvements

	Consolidated		Consolidated		Parent Company	
	2007	2006	2007	2006	2007	2006
	DKK'000	DKK'000	EUR'000*	EUR'000*	DKK'000	DKK'000
Cost at 1 January	8,124	8,033	1,089	1,077	8,124	8,033
Additions	1,267	91	170	12	1,018	91
Disposals	-	-	-	-	-	-
Cost at 31 December	**9,391**	**8,124**	**1,259**	**1,089**	**9,142**	**8,124**
Depreciation at 1 January	(2,276)	(1,397)	(305)	(187)	(2,276)	(1,397)
Depreciation	(895)	(879)	(120)	(118)	(884)	(879)
Depreciation on disposals	-	-	-	-	-	-
Depreciation at 31 December	**(3,171)**	**(2,276)**	**(425)**	**(305)**	**(3,160)**	**(2,276)**
Net book value at 31 December	**6,220**	**5,848**	**834**	**784**	**5,982**	**5,848**
Carrying amount of assets held under finance leases included above	5,982	5,848	802	784	5,982	5,848

* The figures in EUR have been converted for convenience. These figures have not been audited.

Prepayments for Property, Plant and Equipment

	Consolidated		Consolidated		Parent Company	
	2007	2006	2007	2006	2007	2006
	DKK'000	DKK'000	EUR'000*	EUR'000*	DKK'000	DKK'000
Cost at 1 January	-	4,275	-	573	-	4,275
Additions	-	5,151	-	691	-	5,151
Transfer to property, plant and equipment	-	(9,426)	-	(1,264)	-	(9,426)
Cost at 31 December	**0**	**0**	**0**	**0**	**0**	**0**
Depreciation at 1 January	-	-	-	-	-	-
Depreciation		-	-	-	-	-
Depreciation on disposals	-	-	-	-	-	-
Depreciation at 31 December	**0**	**0**	**0**	**0**	**0**	**0**
Net book value at 31 December	**0**	**0**	**0**	**0**	**0**	**0**

* The figures in EUR have been converted for convenience. These figures have not been audited.

NOTE 11 | EQUITY INTEREST IN SUBSIDIARY

	Parent Company		Parent Company	
	2007	**2006**	**2007**	**2006**
	DKK'000	**DKK'000**	**EUR'000***	**EUR'000***
Cost at 1 January	-	-	-	-
Additions	2,592	-	348	-
Disposals	-	-	-	-
Cost at 31 December	**2,592**	**0**	**348**	**0**

* The figures in EUR have been converted for convenience. These figures have not been audited.

LifeCycle Pharma, Inc. was established as a wholly owned subsidiary as of January 2, 2007. This subsidiary is domiciled in New York, U.S. and is primarily focused on clinical activities in the U.S. and Canada on behalf of the Parent Company.

NOTE 12 | CHANGES IN SHARE CAPITAL

On December 31, 2007 the total number of outstanding shares was 31,770,705. Each share has a nominal value of DKK 1 and one vote.

In 2007, the share capital has increased by 1,400,889 shares related to the exercise of vested warrants by current and terminated employees.

Changes in Share Capital from 2002 to 2007
The table below sets forth the changes in our issued share capital since the Company's incorporation:

						Share price in DKK	
Date	**Transaction**	**Share Capital**	**Note**	**Share classes after capital increase**		**pre bonus shares**	**post bonus shares**
21 March 2002	Incorporation	500,000	1		A-shares	1.00	0.25
13 June 2002	Cash contribution and contribution in kind	1,000,000	2		A-shares	19.00	4.75
29 August 2003	Cash contribution	1,746,370	3	1,000,000	A-shares		
				746,370	B-shares	29.53	7.3825
22 March 2004	Cash contribution	2,634,269	4	1,508,425	A-shares		
				1,125,844	B-shares	31.54	7.8850
11 May 2005	Cash contribution	3,908,740	5	1,508,425	A-shares		
				1,125,844	B-shares		
				1,274,471	C-shares	89.20	22.30
22 August 2005	Cash contribution	3,919,018	6	1,518,703	A-shares		
				1,125,844	B-shares		
				1,274,471	C-shares	31.54	7.8850
5 December 2005	Cash contribution	4,428,569	7	1,518,703	A-shares		
				1,125,844	B-shares		
				1,274,471	C-shares		
				509,551	D-shares	145.49	36.3725
23 January 2006	Cash contribution	4,429,954	8	1,520,088	A-shares		
				1,125,844	B-shares		
				1,274,471	C-shares		
				509,551	D-shares	31.54	7.8850
27 July 2006	Issuance of 3 bonus shares per share	17,719,816		6,080,352	A-shares		
				4,503,376	B-shares		
				5,097,884	C-shares		
				2,038,204	D-shares	N/A	N/A
27 July 2006	Reclassification of share classes	17,719,816	9	17,719,816	shares	N/A	N/A
13 November 2006	Cash contribution	11,000,000	10	28,719,816	shares	-	44.00
23 November 2006	Cash contribution	1,650,000	11	30,369,816	shares	-	44.00
12 March 2007	Cash contribution	144,232	12	30,514,048	shares	-	3.79
10 September 2007	Cash contribution	1,256,657	13	31,770,705	shares	-	6.78

Notes:

1 Original issue in March 2002 of 500,000 new shares of nominal DKK 1.
2 Issuance in June 2002 in connection with the contribution in kind by H. Lundbeck A/S of the intellectual property rights to MeltDose® (value DKK 1 million) and a cash subscription by H. Lundbeck A/S of DKK 8.5 million.
3 Issuance of 746,370 B-shares in connection with subscription by Novo A/S, Nordic Biotech K/S and H. Lundbeck A/S.
4 Issuance of 508,425 A-shares and 379,474 B-shares in connection with subscription by Novo A/S, Nordic Biotech K/S and H. Lundbeck A/S.
5 Issuance of 1,274,471 C-shares in connection with subscription by Alta Partners, Lacuna, Novo A/S, Nordic Biotech K/S, H. Lundbeck A/S, Jan Møller Mikkelsen, Michael Wolff Jensen and Samuel Zucker.
6 Issuance of 10,278 A-shares in connection with the subscription through the exercise of employee warrants.
7 Issuance of 509,551 D-shares in connection with subscription by Alta Partners, Lacuna, Novo A/S, Nordic Biotech K/S, H. Lundbeck A/S and Jan Møller Mikkelsen, Michael Wolff Jensen, Samuel Zucker and Samireh Kristensen.
8 Issuance of 1,385 A-shares in connection with subscription through the exercise of employee warrants.
9 Reclassification of share classes resolved by the general meeting conditional upon completion of the IPO.
10 Issuance of 11 million shares in connection with the initial public offering on November 13, 2006.
11 Exercise of over-allotment option, leading to the issuance of an additional 1.65 million shares.
12 Issuance of 144,232 shares in connection with subscription through the exercise of employee warrants.
13 Issuance of 1,256,657 shares in connection with subscription through the exercise of employee warrants.

NOTE 13 | FINANCIAL RISKS

Interest Rate Risk

LCP has an investment policy with the purpose of preserving the Company's capital without significantly increasing the risks. Accordingly, the Company seeks to limit any risks related to the interest rate and the fair value of its investments. The Company is primarily exposed to interest rate risk ascribable to its cash position and to its finance lease arrangements with respect to tangible fixed assets. Based on the cash position and the lease liability at the end of 2007, a 1% change in the interest rate will impact net financial income by approximately DKK 3.1 million. Please refer to note 15 for further analysis of the interest on the finance leases.

During 2007, the Company's excess cash has been placed in short-term deposits with a major Danish bank, thereby eliminating the fair value risk and reducing the interest rate risk. The cash position at year end and the average interest rate is presented in the following table:

	Consolidated		Consolidated		Parent Company	
	2007	2006	2007	2006	2007	2006
	DKK'000	DKK'000	EUR'000*	EUR'000*	DKK'000	DKK'000
Cash and cash equivalents	331,740	464,658	44,489	62,315	325,268	464,658
Average variable interest rate	4.05%	2.85%	4.05%	2.85%	4.07%	2.85%

* The figures in EUR have been converted for convenience. These figures have not been audited.

Credit Risk

The credit terms on the Company's receivables are considered to be at market conditions, and the Company has not encountered any losses as a result of credit risk during the years presented. As regards cash deposits, the Company's bank has a credit rating of Aa1 according to Moody's. The credit risk ascribable to the Company's receivables is considered low, as such receivables arise from collaboration agreements with large pharmaceutical companies.

Liquidity Risk

The Company is exposed to liquidity risk arising from finance lease obligations (see note 15) and short-term payables.

Currency Exposure
LCP is subject to currency risk, as the Company incurs income and expenses in a number of different currencies. Changes in exchange rates of such foreign currencies towards the Company's functional currency may affect the results and cash position.

LCP does not enter into hedge arrangements to reduce the foreign currency exposure. Management assesses and monitors the Company's currency exposure on a regular basis. The Company's net position (monetary items) in foreign currencies is stated below:

	Consolidated		Parent Company	
	2007	**2006**	**2007**	**2006**
USD'000	(52)	(52)	(496)	(52)
EUR'000	442	123	442	123
SEK'000	(11)	(41)	(11)	(41)
GBP'000	-	(12)	-	(12)
CAD'000	(262)	(449)	(262)	(449)
CHF'000	(23)	-	(23)	-

The carrying amount approximately equals the fair value.

As it appears from the table above, the Company's net position in foreign currencies is not considered to be significant. Accordingly, the net effect on the Company's monetary items of a change in any of the listed currencies is not considered to be significant to the Company's results. Changes in currencies will, however, also affect the future income and expenses in such foreign currencies, and may have a significant impact on the Company's operating results and cash flows. The Company is primarily exposed to such risk from currency fluctuations between USD and DKK and between EUR and DKK.

NOTE 14 | WARRANTS

LCP has established warrant programs for board members, members of executive management, employees, consultants and advisors. All warrants have been issued by the Company's shareholders or by the board of directors pursuant to valid authorizations in LCP's articles of association.

Vesting Conditions
Warrants issued during the period 2003 to 2005 vest in general at 1/36 per month from the date of grant. However, some warrants are not subject to vesting conditions, but vest in full at the time of grant.

Effective from 2006, warrants generally vest at 1/48 per month from the date of grant. However, some warrants are not subject to vesting conditions but vest in full at the time of grant.

Warrants granted prior to July 1, 2004 cease to vest upon termination of the employment relationship regardless of the reason for such termination. Warrants granted after July 1, 2004 cease to vest from the date of termination in the event that (i) a warrant holder resigns without this being due to the Company's breach of contract, or (ii) if LCP terminates the employment relationship where the employee has given the Company good reason to do so. The warrant holder will, however, be entitled to exercise vested warrants in the first coming exercise period after termination.

Exercise of warrants issued to board members, consultants and other advisors are conditional upon the warrant holder being connected to LCP on the date of exercise. However, if the warrant holder's position has been terminated without this being attributable to the warrant holder's actions or omissions, the warrant holder shall be entitled to exercise vested warrants in the pre-determined exercise periods.

Exercise Periods
Vested warrants may generally be exercised during two three-week periods following publication of LCP's preliminary annual report and LCP's interim report for the first six months of the relevant financial year, respectively.

Adjustments
Warrant holders are entitled to an adjustment of the number of warrants issued and/or the exercise price applicable in the event of certain changes to LCP's share capital at a price other than the market price and in the event of payments of dividends in a given year in excess of 10% of the Company's equity.

The number of warrants issued and the applicable exercise price was adjusted on July 27, 2006 to take into account the issue of bonus shares in the ratio 1:3, as resolved at the general meeting on July 27, 2006.

Warrant Activity
The following table specifies the warrant activity during 2007:

	Employees	Executive management	Board of directors	Other external	Total	Weighted average exercise price DKK
Outstanding as of 1 January 2006	**1,237,796**	**1,140,500**	**373,528**	**42,000**	**2,793,824**	**9.93**
Granted in the year	668,000	1,597,138	-	8,000	2,273,138	40.72
Exercised in the year	(5,540)	-	-	-	(5,540)	7.89
Cancelled in the year	(26,460)	(211,250)	-	-	(237,710)	33.20
Change between categories	870,966	(650,966)	(323,528)	103,528	-	-
Outstanding as of 31 December 2006	**2,744,762**	**1,875,422**	**50,000**	**153,528**	**4,823,712**	**23.44**
Granted in the year	648,500	-	55,000	-	703,500	53.40
Exercised in the year	(1,272,657)	(100,000)	-	(28,232)	(1,400,889)	6.47
Cancelled in the year	(50,181)	-	-	-	(50,181)	14.87
Outstanding as of 31 December 2007	**2,070,424**	**1,775,422**	**105,000**	**125,296**	**4,076,142**	**34.35**

In total, as of December 31, 2007, a total of 4,076,142 warrants were outstanding with a weighted average exercise price of DKK 34.35. 2,536,190 of these warrants had vested as of December 31, 2007. For comparison, as of December 31, 2006, a total of 4,823,712 warrants were outstanding with a weighted average exercise price of DKK 23.44.

Warrant Compensation Costs
Warrant compensation costs are calculated at the date of grant by use of the Black-Scholes valuation model with the following assumptions: (i) a volatility of 35%, determined as the average of the stock price volatility for a group of Danish an European pharma and biotech companies over 3 years; (ii) no payment of dividends; (iii) a risk free interest rate equaling the interest rate on a 5-year government bond on the date of grant; and (iv) a life of the warrants determined as the average of the date of becoming exercisable and the date of expiry.

Warrant compensation costs are recognized in the income statement over the vesting period of the warrants granted.

During 2007, a total of DKK 18.0 million was recognized as share-based compensation compared to DKK 13.2 million in 2006.

The warrant compensation costs for 2007 were allocated to research and development costs at DKK 8.0 million and to general and administrative expenses at DKK 10.0 million.

Value of Outstanding Warrants
The aggregate value of outstanding warrants has been calculated at DKK 64 million using the Black Scholes Option Pricing model on the assumptions of (i) a share price of DKK 35,70 per share, the closing price as of December 31, 2007, (ii) a volatility of 35%, (iii) no payment of dividends, and (iv) a risk free interest rate of 4.18% annually.

The following table specifies the weighted average exercise price and the weighted average life of outstanding warrants:

	Grant year	Number of warrants	Weighted average exercise price (DKK)	Weighted average exercise period (months)
31 December 2005		**2,793,824**	**9.93**	**71.34**
23 January	2004	(32,000)	7.89	93.00
10 June	2006	1,024,000	36.37	74.00
7 September	2006	1,120,757	36.37	74.00
30 September	2006	(211,250)	36.37	74.00
1 December	2006	96,000	44.60	69.00
22 December	2006	32,381	53.00	68.00
31 December 2006		**4,823,712**	**23.44**	**63.48**
5 March	2007	160,000	55.00	68.00
12 March	2003	(124,232)	3.13	53.00
12 March	2004	(20,000)	7.89	65.00
9 May	2007	248,000	56.50	76.00
21 August	2007	237,000	52.00	79.00
10 September	2003	(710,700)	4.61	47.00
10 September	2004	(428,139)	7.89	51.00
10 September	2005	(161,999)	15.34	59.00
10 September	2006	(6,000)	44.60	59.00
27 November	2007	58,500	41.50	81.00
31 December 2007		**4,076,142**	**34.35**	**56.67**

NOTE 15 | FINANCE LEASES

LCP has finance lease commitments regarding tangible fixed assets. The debt for these commitments is recognized in the balance sheet.

The future minimum payments and the net present value are stated below:

Future minimum payments

	Consolidated		Consolidated		Parent Company	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
	DKK'000	**DKK'000**	**EUR'000***	**EUR'000***	**DKK'000**	**DKK'000**
Within 1 year	6,294	7,157	844	960	6,294	7,157
From 1 to 5 years	20,082	20,019	2,693	2,685	20,082	20,019
After 5 years	2,826	5,245	379	703	2,826	5,245
Total	**29,202**	**32,421**	**3,916**	**4,348**	**29,202**	**32,421**
Financing components	(3,695)	(1,675)	(495)	(225)	(3,695)	(1,675)
Total	**25,507**	**30,746**	**3,421**	**4,123**	**25,507**	**30,746**

NPV for the finance lease commitments

Within 1 year	5,092	6,081	683	816	5,092	6,081
From 1 to 5 years	18,357	19,924	2,462	2,672	18,357	19,924
After 5 years	2,058	4,741	276	635	2,058	4,741
Total	**25,507**	**30,746**	**3,421**	**4,123**	**25,507**	**30,746**

* The figures in EUR have been converted for convenience. These figures have not been audited.

LCP has the right to purchase the assets held under finance leases on expiration of the lease agreements. A weighted average internal interest rate of 5.40% (in the interval 4.29% to 6.43%) has been applied for recognition. The carrying amount of the finance lease commitment is in all material respects equal to the market value.

NOTE 16 | OTHER COMMITMENTS

	Consolidated		Consolidated		Parent Company	
	2007	2006	2007	2006	2007	2006
	DKK'000	DKK'000	EUR'000*	EUR'000*	DKK'000	DKK'000
Rent commitments	48,902	27,501	6,558	3,688	39,551	27,501
Operating lease commitments regarding property, plant and equipment	1,312	1,625	176	218	1,312	1,625
Total rent and operating lease commitments	**50,214**	**29,126**	**6,734**	**3,906**	**40,863**	**29,126**
Other purchase obligations	-	586	-	79	-	586
Total	**50,214**	**29,712**	**6,734**	**3,985**	**40,863**	**29,712**
Total rent and operating lease payments fall due:						
Within 1 year	10,682	3,891	1,433	522	7,446	3,891
From 1 to 5 years	29,296	14,094	3,929	1,890	23,182	14,094
After 5 years	10,236	11,141	1,372	1,494	10,235	11,141
Total	**50,214**	**29,126**	**6,734**	**3,906**	**40,863**	**29,126**
Expensed rent and operating lease payments	7,197	4,928	965	661	5,828	4,928

* The figures in EUR have been converted for convenience. These figures have not been audited.

NOTE 17 | RELATED PARTIES

H. Lundbeck A/S

H. Lundbeck A/S is considered a related party as it is a major shareholder.

LCP has entered into an agreement with H. Lundbeck concerning maintenance and service of facilities and for use of the facilities at H. Lundbeck. For the period January 1 to December 31, 2006, LCP paid DKK 555 thousand for such services and for the period January 1 to December 31, 2007, LCP acquired services in the amount of DKK 794 thousand.

In October 2006, LCP entered into a research and development agreement with H. Lundbeck, under which LCP will perform research and development activities concerning the formulation of two of H. Lundbeck's internal pre-clinical CNS-related projects. In 2007, LCP has performed research and development work totaling DKK 1,502 thousand under this agreement. No fees were invoiced for 2006.

At December 31, 2007, the Company had no outstanding balances with H. Lundbeck.

S.S.R. Stainless Steel A/S
S.S.R. Stainless Steel A/S is considered a related party as our Executive Vice President and CFO, Michael Wolff Jensen, has been Chairman of the Board of Directors of this Company since 2004.

LCP acquired manufacturing equipment and related maintenance from S.S.R. Stainless Steel, totaling DKK 57 thousand for the period January 1 to December 31, 2006 and DKK 371 thousand for the period January 1 to December 31, 2007.

At December 31, 2007, the amount due by LCP to S.S.R. Stainless Steel amounted to DKK 18 thousand.

Pharmasteel A/S
Pharmasteel A/S is considered a related party as our Chief Scientific Officer, Dr. Per Holm, holds 33% of the shares in Pharmasteel and is a member of the Board of Directors of Pharmasteel.

LCP has acquired manufacturing equipment from Pharmasteel, in the period January 1 to December 31, 2006 at a total value of DKK 7,221 thousand and in the period January 1 to December 31, 2007 at a total value of DKK 123 thousand.

LCP had no outstanding balances with Pharmasteel as at December 31, 2007.

Members of the Executive Management and Board of Directors
The members of the Executive Management and Board of Directors are considered related parties following their positions in the Company.

The Executive Management and the Board of Directors have received remuneration from the Company, including warrants, as described in note 5 and note 14 to the financial statements.

The Company has entered into a consultancy agreement with one of the Board members, Dr. Gérard Soula. During 2007, the Company has paid consultancy fees totaling DKK 214 thousand to Dr. Soula and reimbursed travel expenses. No consultancy fees were paid in 2006.

LCP had no outstanding balances with Dr. Soula as at December 31, 2007.

LifeCycle Pharma, Inc.
In the separate financial statements of the Parent Company, LifeCycle Pharma, Inc. is considered a related party, as this company is a wholly owned subsidiary of LifeCycle Pharma A/S.

During 2007, the subsidiary has performed clinical activities on behalf of the Parent Company, which has been remunerated in accordance with the service agreement between the companies. Total services amount to DKK 21,470 thousand for the period January 2 to December 31, 2007. Further, the Parent Company has funded the activities of the subsidiary, thereby generating interest income of DKK 576 thousand for the period January 2 to December 31, 2007. Finally, the Parent Company has invoiced share-based payment to the subsidiary at a total value of DKK 1,717 thousand for 2007.

At December 31, 2007, the Parent Company had a net receivable from LifeCycle Pharma, Inc. totaling DKK 3,709 thousand.

Other Related Parties
Other related parties may exist as the members of our Board of Directors and Executive Management hold positions as Board members in other companies, and as the shareholders of LCP may also be shareholders of other companies. Except for the companies listed above, LCP has not identified any such parties as related parties and no transactions have been identified as related party transactions as we are not aware of such relationships.

NOTE 18 | CHANGES IN WORKING CAPITAL

	Consolidated		Consolidated		Parent Company	
	2007	2006	2007	2006	2007	2006
	DKK'000	DKK'000	EUR'000*	EUR'000*	DKK'000	DKK'000
Other receivables	(5,977)	(3,528)	(802)	(473)	(6,000)	(3,528)
Prepayments	(2,793)	2,019	(375)	271	(2,481)	2,019
Deferred revenue	1,343	373	180	50	1,343	373
Trade payables	1,151	1,243	154	167	554	1,243
Debt to shareholders	-	120	-	16	-	120
Other payables	9,834	2,889	1,320	387	7,806	2,889
Total	**3,558**	**3,116**	**477**	**418**	**1,222**	**3,116**

* The figures in EUR have been converted for convenience. These figures have not been audited.

NOTE 19 | FEES TO AUDITORS APPOINTED BY THE ANNUAL GENERAL MEETING

	Consolidated		Consolidated		Parent Company	
	2007	2006	2007	2006	2007	2006
	DKK'000	DKK'000	EUR'000*	EUR'000*	DKK'000	DKK'000
PricewaterhouseCoopers						
Audit	275	345	37	46	275	345
Other services	633	2,926	85	392	633	2,926
Total	**908**	**3,271**	**122**	**438**	**908**	**3,271**

* The figures in EUR have been converted for convenience. These figures have not been audited.

PARENT COMPANY

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