# Interim Report
# for the 3 months ended 31 March 2007

(Unaudited)

9 May 2007

LifeCycle Pharma A/S
Kogle Allé 4
DK-2970 Hørsholm
CVR no. 26 52 77 67

**Dear Shareholder,**

For the first quarter of 2007, LifeCycle Pharma reported a net loss of DKK 35.1 million (approximately EUR 4.7 million) compared to a net loss of DKK 36.7 million (approximately EUR 4.9 million) for the similar period of 2006. During the first quarter of 2007, the company recognized DKK 3.8 million (approximately EUR 0.5 million) in revenues. No revenues were recognized in the similar period of 2006.

For the first quarter of 2007, LifeCycle Pharma's research and development costs amounted to DKK 32.1 million (approximately EUR 4.3 million) compared to DKK 33.5 million (approximately EUR 4.5 million) in the similar period of 2006. The slight decrease in research and development costs in the first quarter of 2007 represents solely the timing of clinical activities and related costs. On a full year basis, the company continues to expect an increase in research and development costs compared to prior year. Administrative expenses increased from DKK 3.4 million (approximately EUR 0.5 million) in the first quarter of 2006 to DKK 10.4 million (approximately EUR 1.4 million) in the first quarter of 2007. This increase is primarily attributable to the strengthening of the administrative functions following the company's IPO in November 2006 and increased warrant compensation costs. Warrant compensation costs included in administrative expenses for the first quarter of 2007 amounts to DKK 2.9 million compared to DKK 0.04 million for the similar period of 2006. Warrant compensation costs are non-cash items. Further, during the first quarter of 2007, the company has incurred start-up costs in connection with the establishment of a subsidiary in the US.

At 31 March 2007, LifeCycle Pharma had cash and cash equivalents of DKK 432.6 million (approximately EUR 58.1 million).

**Outlook for 2007**

LifeCycle Pharma's financial guidance for the year is unchanged relative to the expectations expressed in the Annual Report for 2006, dated 5 March 2007, as the upfront payment received in connection with the license agreement with Sciele Pharma, Inc. for LCP-FenoChol, was in line with the management´s expectations of entering into a partnership for LCP-FenoChol during 2007.

During 2007, LifeCycle Pharma will continue to advance the development of the company's six named product candidates, one of which is under FDA registration review and the other five are in various stages of clinical development. The company will continuously investigate promising new product candidates for potential addition to our growing product pipeline.

Subsequent to the balance sheet date, on 1 May 2007, LifeCycle Pharma entered into a US partnership with Sciele Pharma, Inc. regarding the commercialization of LCP-FenoChol for the US market. In 2007, LifeCycle Pharma expects to be advancing LCP-FenoChol through the FDA review process to ensure that the product is ready for Sciele Pharma for introduction on the US market.

Further, LifeCycle Pharma plans to initiate two Phase II clinical trials with LCP-Tacro to treat organ transplant patients and patients with autoimmune diseases. Also, in February 2007, the company received positive clinical data for its Phase I program with LCP-AtorFen and the company plans to initiate a Phase II clinical trial with LCP-AtorFen to treat patients with abnormal lipid levels. Finally, the company expects to expand its existing product pipeline with one named product within the area of organ transplantation by advancing one our internal pre-clinical product candidates into clinical trials during 2007.

As costs will increase for the expanded regulatory and clinical development activities, LifeCycle Pharma's operating expenses are expected to be significantly higher in 2007 compared to 2006. As announced in the annual report for 2006, LifeCycle Pharma is projecting a 2007 operating loss of DKK 260 to 285 million compared to DKK 149 million for 2006. Under the conditions described above, the net loss for 2007 is expected to be in the range of DKK 255 to 280 million compared to the net loss of DKK 148 million in 2006.

The company's projected 31 December 2007 cash position is expected to be in the range of DKK 215 to 240 million.

The above estimates are subject to possible change primarily due to the timing and variation of clinical activities, related costs and fluctuating exchange rates. The estimates also assume that no further outlicense agreements are entered into during 2007 that could materially affect the results.

**Highlights for the First Three Months of 2007**

During the first three months of 2007, LifeCycle Pharma achieved the following major business and scientific milestones:

- Positive Phase I data for LCP-AtorFen demonstrating that the product was safe and well-tolerated and that the product had a similar rate and extent of absorption compared to Lipitor® and Tricor®. A Phase II program is expected to start during Q2.

- Regulatory approval of LifeCycle Pharma's LCP-FenoChol product would not be subject to a so-called 30-month stay under the Hatch-Waxman Act and LifeCycle therefore expects that the product will advance through regulatory approval during 2007.

**Subsequent Events**

On 1 May 2007 LifeCycle Pharma signed an exclusive license agreement with Sciele Pharma, Inc. to market fenofibrate in the US, Canada, and Mexico, in 120 milligram and 40 milligram strengths. Fenofibrate is prescribed for the treatment of hyperlipidemia and triglyceridemia. Under the terms of the agreement, LifeCycle Pharma will receive an upfront payment of USD 5 million, milestone payments of up to USD 12 million upon FDA approval and meeting certain sales targets, and tiered mid-teen to high-teen royalty payments on product sales.

At the same time, Sciele Pharma also entered into a technology collaboration with LifeCycle Pharma utilizing LifeCycle Pharma's MeltDose® Technology for the life-cycle management of one of its products. Under the terms of that agreement, LifeCycle Pharma will be responsible for the development of the product and in return, LifeCycle Pharma will be entitled to receive R&D reimbursement, development milestones and mid single-digit royalties on eventual sales.

**Product Pipeline**

During the first three months of 2007 LifeCycle Pharma continued to develop its broad portfolio of products in various stages of development. As per 31 March 2007 the clinical pipeline includes six product candidates.

1. **LCP-FenoChol (containing 120mg/40mg active substance)** is being developed to become an improved fenofibrate product with the lowest and most effective marketed dose without food effect. In December 2006 our NDA under Section 505(b)(2) to produce and market LCP-FenoChol in the US was accepted for review by the FDA. In May 2007 LifeCycle Pharma entered into a collaboration with Sciele Pharma regarding LCP-FenoChol. Under the terms of the agreement, Sciele is responsible for the sale and marketing of the product and LifeCycle Pharma will be entitled

to milestone payments and tiered mid-teen to high-teen royalty payments on product sales.

2. **LCP-Feno (containing 145mg/48mg active substance)** is our development stage fenofibrate product candidate as an AB-rated (substitutable) generic version of Tricor®, which is currently marketed in the US by Abbott and in Europe by Solvay under the name Lipanthyl. In 2006, Abbott reported Tricor sales of USD 1,048 million in the US market alone, an increase of 13% over 2005 sales (source: Abbott's press release of 24 January 2007) and outside NorthAmerica fenofibrate sold for approximately USD 384 million, an increase of 3% over 2005. (Source: IMS).

   In the first half of 2007, LifeCycle Pharma expects that pivotal studies will be initiated for LCP-Feno in the US. Merck Generics, the company's partner for the European market, is currently considering when to initiate pivotal studies for LCP-Feno in Europe.

3. **LCP-Lerc** is designed to become a new, improved lercanidipine product. LCP-Lerc is being developed as a follow-on product to Zanidip®/Lercadip®, the top selling product of our partner Recordati. Lercanidipine is one of the newest calcium-channel blockers for hypertension. LifeCycle Pharma is responsible for creating a new formulation of Zanidip, while Recordati will be responsible for all further clinical development and commercialization of this product. Assuming progress as currently expected, an application for marketing authorization (MAA) is expected to be submitted by Recordati by early 2008.

4. **LCP-Tacro (organ transplant)** is designed to be a once-daily tablet product containing tacrolimus that the company believes could be more effective and have a less variable blood concentration than Prograf, a tacrolimus drug currently marketed by Astellas. In 2006, worldwide sales of tacrolimus were approximately USD 1.4 billion, an increase of 13% over 2005 (source: IMS). The once-daily and more stable profile as well as the increased bioavailability of LCP-Tacro have been demonstrated in recent pilot Phase I studies. LifeCycle Pharma initiated further Phase I clinical studies in September 2006, and expects to initiate Phase II studies with LCP-Tacro in the first half of 2007. LCP-Tacro is being developed for organ transplantation as well as autoimmune diseases, as the company believes the mechanism-of-action could be relevant in many different disease indications.

5. **LCP-Tacro (autoimmune)** is designed to be a strong immunosuppressant that LifeCycle Pharma believes may be efficacious not only in preventing rejection of the transplanted organ but also in a number of autoimmune diseases. In many such diseases, patients today risk disability or death. Currently, doctors, often as a last resort, can only offer expensive, injectable antibody therapy or longterm, high-dose steroid therapy and other drugs with severe side effects. The efficacy of tacrolimus has been shown in several such indications, but Lifecycle Pharma believes its usage has been hampered by the inconvenience, variability and unwanted side effects associated with the current marketed product. The company believes that these issues could potentially be eliminated with LCP-Tacro. The potential market for LCP-Tacro could be between €300 million to €4.4 billion per indication which the company is currently evaluating. LifeCycle is currently evaluating development and registration strategies for a number of potential indications for tacrolimus. The Phase I program will be the same for transplantation and other indications. LifeCycle expects to initiate Phase II studies in one or more autoimmune therapy areas in the

third quarter of 2007. Where appropriate LifeCycle may seek orphan drug status.

6. **LCP-AtorFen** is our proprietary product candidate combining atorvastatin (the active ingredient of Lipitor currently marketed by Pfizer and often referred to as the best selling drug in the world) and the lowest dose of fenofibrate without food effect. LifeCycle Pharma believes that LCP-AtorFen will prove to be a powerful and safe treatment of high cholesterol, addressing three primary cardiovascular risk factors: low density lipoprotein (LDL), high density lipoprotein (HDL) and triglycerides (TG). Sales of atorvastatin in North America alone were approximately USD 9.5 billion in 2006, an increase of 6% over 2005 (source: IMS). The Phase I clinical program of LCP-AtorFen has been completed and LifeCycle expects to initiate a Phase II program during first half of 2007.

**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. The figures have been stated in thousands, except for the financial ratios.

| | First Quarter | | First Quarter | |
|---|---|---|---|---|
| | 2007 DKK'000 | 2006 DKK'000 | 2007 EUR'000 | 2006 EUR'000 |
| **Income Statement** | | | | |
| Revenue | 3,789 | - | 509 | - |
| Research and development costs | (32,096) | (33,503) | (4,308) | (4,497) |
| Administrative expenses | (10,400) | (3,374) | (1,396) | (453) |
| Operating loss | (38,707) | (36,877) | (5,195) | (4,950) |
| Net financial income / (expenses) | 3,605 | 141 | 484 | 20 |
| Net loss for the period | (35,102) | (36,736) | (4,711) | (4,930) |
| **Balance Sheet** | | | | |
| Cash and cash equivalents | 432,568 | 56,911 | 58,057 | 7,638 |
| Total assets | 475,829 | 104,348 | 63,862 | 14,004 |
| Share capital | 30,514 | 4,430 | 4,095 | 595 |
| Total equity | 427,804 | 55,787 | 57,417 | 7,487 |
| **Cash Flow Statement** | | | | |
| Cash flow from operating activities | (31,091) | (28,575) | (4,173) | (3,835) |
| Cash flow from investing activities | (140) | (610) | (19) | (82) |
| Cash flow from financing activities | (859) | (1,128) | (115) | (151) |
| Cash at period end | 432,568 | 56,911 | 58,057 | 7,638 |
| **Financial Ratios (in DKK / EUR)** | | | | |
| Basic and diluted EPS | (1.15) | (8.29) | (0.15) | (1.11) |
| Weighted average number of shares | 30,401,868 | 4,429,615 | 30,401,868 | 4,429,615 |
| Average number of employees (FTEs) | 45 | 40 | 45 | 40 |
| Assets/equity | 1.11 | 1.87 | 1.11 | 1.87 |

**Financial Review**

LifeCycle Pharma publishes its financial statements in Danish Kroner (DKK). Solely for the convenience of the reader, this Interim Report contains a conversion of certain DKK amounts into Euro (EUR) at a specified rate. These converted amounts 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.

Unless otherwise indicated, conversion herein of financial information into EUR has been made using the Danish Central Bank's spot rate on 31 March 2007, which was EUR 1.00 = DKK 7.4508.

**Revenues**

LifeCycle Pharma's revenues were DKK 3.8 million for the first three months of 2007. The revenues have been generated under the company's collaboration agreements. No revenues were recognized for the similar period of 2006.

**Research and Development Costs**

Research and development costs were DKK 32.1 million for the first quarter of 2007 compared to DKK 33.5 million for the similar period of 2006. The company is expecting to increase its research and development costs for the full year 2007 compared to prior years in connection with advancing and expanding our product pipeline. Research and development costs for the first quarter of 2007

include warrant compensation costs of DKK 1.3 million compared to DKK 0.02 million in the similar period of 2006.

**Administrative Expenses**

Administrative expenses were DKK 10.4 million in the first quarter of 2007 compared to DKK 3.4 million in the similar period of 2006. During the first quarter of 2007, LifeCycle Pharma has strengthened its general and administrative functions to match the company's stage of development after the IPO. Further, LifeCycle Pharma has established a subsidiary in the US to maintain a close contact to the US market and to monitor the clinical activities in the US. Finally, the grant of warrants to attract and retain employees to the company has increased the warrant compensation costs included in administrative expenses from DKK 0.04 million in the first quarter of 2006 to DKK 2.9 million in the first quarter of 2007.

**Operating Loss**

LifeCycle Pharma's operating loss for the first quarter of 2007 was DKK 38.7 million compared to DKK 36.9 million in the similar period of 2006.

**Financial Income**

During the first quarter of 2007, the company recognized net financial income of DKK 3.6 million compared to net financial income of DKK 0.1 million in the first quarter of 2006. The increasing financial income is a reflection of the interest on the net proceeds from the company's IPO in November 2006.

**Net Loss**

Net loss for the first quarter of 2007 was DKK 35.1 million compared to DKK 36.7 million in the similar period of 2006.

**Cash Flow**

As of 31 March 2007, the balance sheet reflects cash and cash equivalents of DKK 432.6 million compared to DKK 464.7 million as of 31 December 2006. This represents a decrease of DKK 32.1 million, primarily related to the company's operating activities for the period.

The cash flow for the first quarter of 2007 is in line with LifeCycle Pharma's expectations. The operating activities required cash flows of DKK 31.1 million compared to DKK 28.6 million in the similar period of 2006.

**Balance Sheet**

As of 31 March 2007, total assets were DKK 475.8 million compared to DKK 507.1 million at the end of 2006.

Shareholders' equity equalled DKK 427.8 million as of 31 March 2007 compared to DKK 458.1 million at the end of 2006.

Additional information:

Michael Wolff Jensen
Executive Vice President & CFO
Telephone +45 70 33 33 00

The forward looking statements and targets contained herein are based on LifeCycle Pharma A/S's management's current view and assumptions. Such statements involve known and unknown risks and uncertainties that may cause actual results, performance or events to differ materially from those anticipated herein. LifeCycle Pharma A/S expressly disclaim any obligation or undertaking to update or revise any forward-looking statements, targets or estimates contained in this interim report to reflect any change in events, conditions, assumptions or circulations on which any such statements are based unless so required by applicable law.

**Executive Management's and the Board of Directors' Statement on the Interim Report**

The Executive Management and the Board of Directors have today considered and adopted the Interim Report of LifeCycle Pharma A/S for the 3 months ended 31 March 2007.

The Interim Report is prepared in accordance with the Copenhagen Stock Exchange's financial reporting requirements for listed companies. The Interim Report is in compliance with International Accounting Standard No. 34 (IAS 34), "Interim Financial Reporting" and additional Danish disclosure requirements for financial reporting of listed companies.

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

Hørsholm, 9 May 2007

**Executive Management**

Flemming Ørnskov

Michael Wolff Jensen

**Board of Directors**

Claus Braestrup (Chairman)

Kurt Anker Nielsen

Thomas Dyrberg

Jean Deleage

Gérard Soula

**Income Statement for the period 1 January to 31 March**

| | First Quarter | | First Quarter | |
|---|---|---|---|---|
| | **2007** | **2006** | **2007** | **2006** |
| | **DKK'000** | **DKK'000** | **EUR'000** | **EUR'000** |
| Revenue | 3,789 | - | 509 | - |
| Research and development costs | (32,096) | (33,503) | (4,308) | (4,497) |
| Administrative expenses | (10,400) | (3,374) | (1,396) | (453) |
| **Operating loss** | **(38,707)** | **(36,877)** | **(5,195)** | **(4,950)** |
| Financial income | 4,088 | 547 | 549 | 73 |
| Financial expenses | (483) | (406) | (65) | (53) |
| **Loss before tax** | **(35,102)** | **(36,736)** | **(4,711)** | **(4,930)** |
| Tax for the period | - | - | - | - |
| **Net loss for the period** | **(35,102)** | **(36,736)** | **(4,711)** | **(4,930)** |
| Basic and diluted EPS (in DKK / EUR) | (1.15) | (8.29) | (0.15) | (1.11) |
| Weighted average number of shares | 30,401,868 | 4,429,615 | 30,401,868 | 4,429,615 |

## Balance Sheet – Assets

| | 31 March 2007 DKK'000 | 31 December 2006 DKK'000 | 31 March 2006 DKK'000 | 31 March 2007 EUR'000 | 31 December 2006 EUR'000 | 31 March 2006 EUR'000 |
|---|---|---|---|---|---|---|
| Licenses and rights | 767 | 779 | 817 | 103 | 104 | 110 |
| **Intangible assets** | **767** | **779** | **817** | **103** | **104** | **110** |
| Process plant and machinery | 21,938 | 23,184 | 16,066 | 2,944 | 3,112 | 2,156 |
| Other fixtures and fittings, tools and equipment | 81 | 80 | 167 | 11 | 11 | 22 |
| Leasehold improvements | 5,627 | 5,848 | 6,418 | 755 | 785 | 861 |
| Prepayments for property, plant and equipment | - | - | 7,695 | - | - | 1,033 |
| **Property, plant and equipment** | **27,646** | **29,112** | **30,346** | **3,710** | **3,908** | **4,072** |
| **Non-current assets** | **28,413** | **29,891** | **31,163** | **3,813** | **4,012** | **4,182** |
| Trade receivables | 7,185 | 6,707 | 9,619 | 964 | 900 | 1,291 |
| Other receivables | 6,492 | 5,430 | 3,835 | 871 | 729 | 515 |
| Prepayments | 1,171 | 371 | 2,820 | 157 | 49 | 378 |
| **Receivables** | **14,848** | **12,508** | **16,274** | **1,992** | **1,678** | **2,184** |
| **Cash and cash equivalents** | **432,568** | **464,658** | **56,911** | **58,057** | **62,364** | **7,638** |
| **Current assets** | **447,416** | **477,166** | **73,185** | **60,049** | **64,042** | **9,822** |
| **Assets** | **475,829** | **507,057** | **104,348** | **63,862** | **68,054** | **14,004** |

## Balance Sheet – Equity and Liabilities

| | 31 March 2007 DKK'000 | 31 December 2006 DKK'000 | 31 March 2006 DKK'000 | 31 March 2007 EUR'000 | 31 December 2006 EUR'000 | 31 March 2006 EUR'000 |
|---|---|---|---|---|---|---|
| Share capital | 30,514 | 30,370 | 4,430 | 4,095 | 4,076 | 595 |
| Share premium | 717,518 | 717,039 | 242,857 | 96,301 | 96,237 | 32,595 |
| Reserve for share-based payment | 20,548 | 16,348 | 3,198 | 2,758 | 2,194 | 429 |
| Other reserves | - | - | - | - | - | - |
| Retained earnings/loss | (340,776) | (305,674) | (194,698) | (45,737) | (41,026) | (26,132) |
| **Equity** | **427,804** | **458,083** | **55,787** | **57,417** | **61,481** | **7,487** |
| Finance lease | 23,359 | 24,665 | 27,449 | 3,135 | 3,310 | 3,684 |
| **Non-current liabilities** | **23,359** | **24,665** | **27,449** | **3,135** | **3,310** | **3,684** |
| Finance lease | 5,904 | 6,081 | 5,131 | 792 | 816 | 689 |
| Trade payables | 14,563 | 11,957 | 12,782 | 1,955 | 1,605 | 1,715 |
| Deferred revenue | - | 373 | - | - | 50 | - |
| Debt to shareholders | - | 166 | - | - | 22 | - |
| Other payables | 4,199 | 5,732 | 3,199 | 563 | 770 | 429 |
| **Current liabilities** | **24,666** | **24,309** | **21,112** | **3,310** | **3,263** | **2,833** |
| **Liabilities** | **48,025** | **48,974** | **48,561** | **6,445** | **6,573** | **6,517** |
| **Equity and liabilities** | **475,829** | **507,057** | **104,348** | **63,862** | **68,054** | **14,004** |

## Cash Flow Statement

| | First Quarter 2007 DKK'000 | First Quarter 2006 DKK'000 | First Quarter 2007 EUR'000 | First Quarter 2006 EUR'000 |
|---|---|---|---|---|
| **Operating loss** | **(38,707)** | **(36,877)** | **(5,195)** | **(4,950)** |
| Share-based payment | 4,200 | 58 | 564 | 8 |
| Depreciation and amortization | 1,635 | 1,113 | 219 | 149 |
| Changes in working capital | (1,349) | 6,990 | (181) | 938 |
| **Cash flow from operating activities before interest** | **(34,221)** | **(28,716)** | **(4,593)** | **(3,855)** |
| Interest received | 3,613 | 547 | 485 | 73 |
| Interest paid | (483) | (406) | (65) | (53) |
| Corporate tax paid | - | - | - | - |
| **Cash flow from operating activities** | **(31,091)** | **(28,575)** | **(4,173)** | **(3,835)** |
| Purchase of property, plant and equipment | (140) | (610) | (19) | (82) |
| **Cash flow from investing activities** | **(140)** | **(610)** | **(19)** | **(82)** |
| Installments on bank borrowings and finance lease | (1,483) | (1,164) | (199) | (156) |
| Proceeds from issuance of shares, net | 624 | 36 | 84 | 5 |
| **Cash flow from financing activities** | **(859)** | **(1,128)** | **(115)** | **(151)** |
| **Increase/(decrease) in cash and cash equivalents** | **(32,090)** | **(30,313)** | **(4,307)** | **(4,068)** |
| Cash and cash equivalents at beginning of period | 464,658 | 87,224 | 62,364 | 11,706 |
| **Cash and cash equivalents at end of period** | **432,568** | **56,911** | **58,057** | **7,638** |
| **Cash and cash equivalents at end of period comprise:** | | | | |
| Deposit on demand and cash | 432,568 | 56,911 | 58,057 | 7,638 |
| | **432,568** | **56,911** | **58,057** | **7,638** |

## Statement of Changes in Equity

| | Number of shares | Share capital DKK'000 | Share premium DKK'000 | Reserve for share-based payment DKK'000 | Other 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** | **3,140** | **0** | **(157,961)** | **92,430** | **12,405** |
| Comprehensive income: | | | | | | | | |
| Net loss for the period | | | | | | (36,737) | (36,737) | (4,931) |
| Total comprehensive income | | | | | | | (36,737) | (4,931) |
| Warrant exercises | 1,385 | 1 | 42 | | | | 43 | 6 |
| Share-based payment | | | | 58 | | | 58 | 8 |
| Costs related to capital increases | | | (7) | | | | (7) | (1) |
| **Equity as of 31 March 2006** | **4,429,954** | **4,430** | **242,857** | **3,198** | **0** | **(194,698)** | **55,787** | **7,487** |
| Comprehensive income: | | | | | | | | |
| Net loss for the period | | | | | | (110,976) | (110,976) | (14,895) |
| Total comprehensive income | | | | | | | (110,976) | (14,895) |
| Issuance of shares | 12,650,000 | 12,650 | 543,950 | | | | 556,600 | 74,703 |
| Share-based payment | | | | 13,150 | | | 13,150 | 1,765 |
| Bonus shares | 13,289,862 | 13,290 | (13,290) | | | | - | - |
| Costs related to capital increases | | | (56,478) | | | | (56,478) | (7,579) |
| **Equity as of 31 December 2006** | **30,369,816** | **30,370** | **717,039** | **16,348** | **0** | **(305,674)** | **458,083** | **61,481** |
| Comprehensive income: | | | | | | | | |
| Adjustment of foreign currency fluctuations on investments in subsidiaries | | | | | - | | - | - |
| Net loss for the period | | | | | | (35,102) | (35,102) | (4,711) |
| Total comprehensive income | | | | | | | (35,102) | (4,711) |
| Warrant exercises | 144,232 | 144 | 402 | | | | 546 | 73 |
| Share-based payment | | | | 4,200 | | | 4,200 | 564 |
| Costs related to capital increases | | | 77 | | | | 77 | 10 |
| **Equity as of 31 March 2007** | **30,514,048** | **30,514** | **717,518** | **20,548** | **0** | **(340,776)** | **427,804** | **57,417** |

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

**Note 1. Accounting Policies**

The interim report has been prepared in accordance with the Copenhagen Stock Exchange's financial reporting requirements for listed companies. The interim report is in compliance with International Accounting Standard No. 34 (IAS 34), "Interim Financial Reporting".

Effective from 1 January 2007, the group has adopted the new and amended standards issued by the International Accounting Standards Board with effective dates as of 1 January 2007. The adoption of these new and amended standards has not affected the financial reporting of the group for any periods presented in this interim report.

Except for the adoption of the new and amended standards issued by the IASB, the accounting policies used for the interim report are consistent with the accounting policies used in the company's latest annual report, which was prepared in accordance with the IFRS as adopted by the EU and the additional Danish disclosure requirements for financial reporting of listed companies.

The interim report has been prepared in Danish Kroner (DKK), which is the functional currency of the company and the group.

**Note 2. Warrants**

LifeCycle Pharma 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 LifeCycle Pharma'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 1 July 2004 cease to vest upon termination of the employment relationship regardless of the reason for such termination. Warrants granted after 1 July 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 LifeCycle Pharma 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 LifeCycle Pharma 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 LifeCycle Pharma's preliminary annual report and LifeCycle Pharma'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 LifeCycle Pharma'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 27 July 2006 to take into account the issue of bonus shares in the ratio 1:3, as resolved at the general meeting on 27 July 2006.

Please refer to LifeCycle Pharma's latest annual report for additional details of the company's warrant programs.

**Warrant Activity**
The following table specifies the warrant activity during the first quarter of 2007:

| | Employees | Executive management | Board of directors | Other external | Total |
|---|---|---|---|---|---|
| **Outstanding as of 1 January 2006** | **1,237,796** | **1,140,500** | **373,528** | **42,000** | **2,793,824** |
| Exercised in the period | (5,540) | - | - | - | **(5,540)** |
| Cancelled in the period | (26,460) | - | - | - | **(26,460)** |
| **Outstanding as of 31 March 2006** | **1,205,796** | **1,140,500** | **373,528** | **42,000** | **2,761,824** |
| Granted in the period | 668,000 | 1,597,138 | - | 8,000 | **2,273,138** |
| Cancelled in the period | - | (211,250) | - | - | **(211,250)** |
| 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** |
| Granted in the period | 160,000 | - | - | - | **160,000** |
| Exercised in the period | (130,116) | - | - | (14,116) | **(144,232)** |
| **Outstanding as of 31 March 2007** | **2,774,646** | **1,875,422** | **50,000** | **139,412** | **4,839,480** |

In total, as of 31 March 2007, a total of 4,839,480 warrants were outstanding with a weighted average exercise price of DKK 24.75. 3.199.457 of these warrants had vested as of 31 March 2007. For comparison, as of 31 March 2006, a total of 2,761,824 warrants were outstanding with a weighted average exercise price of DKK 9.66.

**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 equalling 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 the first quarter of 2007, a total of DKK 4.2 million was recognized as share-based compensation. The similar figure for the first quarter of 2006 was DKK 0.06 million. The warrant compensation costs for the first quarter of 2007 was allocated by DKK 1.3 million in research and development costs and DKK 2.9 million in administrative expenses.