Annual Report 2006

LifeCycle Pharma - Improving treatments to improve lives

LIFECYCLE PHARMA

CONTENTS

PRODUCT PIPELINE

Product	Indication	2006	2007[1]	2008[1]
LCP-FenoChol	Lipid Management	Pivotal	Registration	Market
LCP-Feno[2]	Lipid Management	Phase I	Pivotal	Registration / Market
LCP-AtorFen	Lipid Management	Pre-clinical	Phase I / Phase II	Phase III
LCP-Tacro	Organ Transplant	Pilot Ph. I	Phase I / Phase II	Phase III
LCP-Tacro	Autoimmune	Pilot Ph. I	Phase I / IND / Phase II	Phase III
LCP-Lerc[2]	Hypertension	Pilot Ph. I	Phase I / Pivotal	Registration

[1] Estimated timeline

[2] Partnered product

The key event for LifeCycle Pharma A/S in 2006 was the listing of the company's shares on the OMX Nordic Exchange in Copenhagen on 13 November 2006. LifeCycle Pharma raised approximately DKK 500 million in net proceeds.

2006 HIGHLIGHTS

The key event for LifeCycle Pharma A/S in 2006 was the listing of the company's shares on the OMX Nordic Exchange in Copenhagen on 13 November 2006. Through the initial public offering (IPO), LifeCycle Pharma raised approximately DKK 500 million in net proceeds by offering a total of 12.65 million new shares at an offer price of DKK 44 per share.

This IPO was essential in securing a strong financial foundation for the continued clinical development of our existing products as well as enabling us to further develop our new product candidates through pre-clinical development and clinical trials.

Another significant event was the submission of a New Drug Application (NDA) to the United States Food and Drug Administration (FDA) under Section 505(b)(2) to produce and market our LCP-FenoChol product for a cholesterol lowering indication in the US. As reported in December, the FDA accepted our NDA for review. This submission evidences LifeCycle Pharma's strong research and development capabilities, as in less than 4 years we have been able to bring a product candidate from the initial idea stage to FDA submission.

In addition to the above key highlights, LifeCycle Pharma passed a number of other significant milestones in 2006. The most important business and scientific milestones were:

- Positive pivotal data for LCP-FenoChol demonstrating that LifeCycle Pharma's LCP-FenoChol has an improved absorption compared to Antara® as well as no food effect
- Positive pilot Phase I data for LCP-Tacro, an anti-rejection product used in organ transplantation care, demonstrating once-daily profile as well as a more than 49% increase in bioavailability compared to Prograf®. Additional Phase I clinical studies were initiated in September 2006
- Sandoz granted exclusive US rights and Merck Generics exclusive European rights to develop and commercialize LCP-Feno, a cholesterol lowering product
- Expanded our cooperation with Recordati regarding the collaboration for LCP-Lerc
- Entered into a service agreement with H. Lundbeck where H. Lundbeck will use the MeltDose® technology for two of their new pre-clinical compounds
- Initiation of Phase I clinical studies for LCP-AtorFen, a combination product consisting of two cholesterol lowering agents, fenofibrate and atorvastatin
- Grant of first EU patent for MeltDose technology.

Dr. Flemming Ørnskov
President and Chief Executive Officer

Dr. Claus Braestrup
Chairman of the board of directors

TO OUR SHAREHOLDERS

Dear Shareholder,

2006 was an extremely busy and exciting year for LifeCycle Pharma where we achieved many important milestones in our efforts to build a strong specialty pharma company.

One of the most notable events for the company was the successful listing of LifeCycle Pharma's shares on the OMX Nordic Exchange in Copenhagen in November 2006. The IPO raised approximately DKK 500 million in net proceeds, and opened up new capital market opportunities for us so that we can continue to strive to achieve our many clinical goals.

With half of the shares offered in the IPO held abroad, the current distribution of shareholders also reflects the international nature of our business and our markets. We are also pleased with the fact that we have been able to attract a wide variety of investors, from large institutional investors to smaller, private investors.

We are committed to ensuring an open and constructive dialogue with our shareholders and thank you for your support up until now.

Another important milestone for us in 2006 was the US FDA acceptance of our New Drug Application (NDA) for market approval in the US for our fenofibrate product LCP-FenoChol. This event put us on track for the planned 2008 market launch of LCP-FenoChol.

We are committed to ensuring an open and constructive dialogue with our shareholders and thank you for your support up until now.

We also made significant developments on the partnership front, signing four new agreements during 2006. The deals with Sandoz, Merck and Lundbeck and the expanded collaboration with Recordati underline our strategy of building a portfolio of products that balances risk with generating value for our shareholders.

We believe our two-pronged business strategy affords us the greatest opportunity of building a highly successful specialty pharmaceutical company. We can develop improved proprietary versions of currently marketed drugs (such as LCP-Tacro and LCP-FenoChol) where we see a clear market opportunity and develop selective generic versions of marketed drugs where we assess the benefit of using our MeltDose technology to develop a patented product that is bioequivalent to an existing approved drug (such as LCP-Feno). Where there is an advantageous business case, we can pursue service partnerships to help other companies extend the lifecycle of currently marketed products – an example of this is our partnership with Recordati for LCP-Lerc.

We also made significant developments on the partnership front, signing four new agreements during 2006. The deals with Sandoz, Merck and Lundbeck and the expanded collaboration with Recordati underline our strategy of building a portfolio of products that balances risk with generating value for our shareholders.

2006 was also a year of solid clinical success for LifeCycle Pharma. We completed a pivotal study for LCP-FenoChol and commenced Phase I studies for both LCP-Tacro and LCP-AtorFen. We also completed pilot studies for both LCP-Feno and LCP-Lerc.

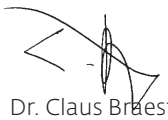
The year also saw a change in CEO at LifeCycle Pharma. Dr. Jan Møller Mikkelsen's entrepreneurial drive and spirit laid solid foundations for the company. The team can now continue to build on that work to create a successful organization for the future. Helped by the additional funding generated by the IPO, we can structure our organization to create a product pipeline that reflects our focused business strategy.

The key to our success will be to attract and retain the best talent around, create an exciting and innovative workplace, and strengthen our international presence by establishing an office in the United States to help us manage our US clinical trials. We are pleased with the progress made so far but this will continue to be a focus during 2007.

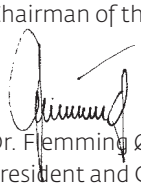
Helped by the additional funding generated by the IPO, we can structure our organization to create a product pipeline that reflects our focused business strategy.

We have some important challenges ahead in 2007 and we look forward to keeping you up-to-date on our progress throughout the year. In the meantime we would like to thank you for your continuing support.

Yours sincerely,



Dr. Claus Bræstrup
Chairman of the board of directors



Dr. Flemming Ørnskov
President and Chief Executive Officer

By applying our MeltDose technology to create new versions of existing drugs, we believe that we are able to develop products significantly faster and cheaper and with a higher success rate compared with the development of New Chemical Entities (NCEs).

BUILDING A BUSINESS

LifeCycle Pharma is an emerging pharmaceutical company with a solid late-stage pipeline of proprietary product candidates. During 2006 we had six product candidates in clinical development in a number of disease areas, including organ transplantation.

The company commenced operations on 13 June 2002 as a spin-off from H. Lundbeck A/S. In connection with this, we entered into a transfer and license agreement with H. Lundbeck A/S, which transferred to us full title to the MeltDose technology, on which our operations are built. Since our inception in 2002, we have predominantly funded our operations through private placements of shares. On 13 November 2006 we successfully listed on the OMX Nordic Exchange in Copenhagen. Our key business events relate to the advancement of our product portfolio and the conclusion of collaborative agreements in respect thereof.

Currently all of our product candidates are based on MeltDose, our proprietary technology. Our MeltDose technology has been designed to enhance the release and absorption of drugs in the body by incorporating the drug in a solubilised 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 that we are able to develop products significantly faster and cheaper and with a higher success rate compared with the development of New Chemical Entities (NCEs). This favorable risk/reward profile is a key component of our business strategy.

Currently all of our product candidates are based on MeltDose, our proprietary technology. Our MeltDose technology has been designed to enhance the release and absorption of drugs in the body by incorporating the drug in a solubilised form in a tablet matrix, for example as a solid solution.

Overview of product pipeline

Product	Indication	2006	2007[1]	2008[1]
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LCP-Tacro	Autoimmune	Pilot Ph. I	Phase I / IND	Phase II / Phase III
LCP-Lerc[2]	Hypertension	Pilot Ph. I	Phase I / Pivotal	Registration

[1] Estimated timeline

[2] Partnered product

In preparing our organisation for long term success, during the next phase of the company's growth we will further focus our efforts by strengthening our clinical and medical expertise within the area of organ transplantation, and in related areas such as immunosuppressive and anti-viral treatments.

SHORT AND LONG TERM STRATEGY – MOVING TOWARDS ORGAN TRANSPLANT

In order to meet the challenges ahead, we are building an organization that will deliver long term value to our shareholders. We currently pursue a two-pronged business strategy of building our product portfolio on the basis of carefully balanced risk assessment and market needs.

Following on from the successes of 2006, LifeCycle Pharma is entering an important phase in our strategy to become a fully integrated specialty pharmaceutical company focusing on one to two disease areas, with an initial focus on organ transplantation.

In order to meet the challenges ahead, we are building an organization that will deliver long term value to our shareholders. We currently pursue a two-pronged business strategy of building our product portfolio on the basis of carefully balanced risk assessment and market needs. This strategy includes :

Developing improved, proprietary versions of currently marketed drugs

- We are focusing our product development and commercialization resources on creating new best-in-class versions of existing drugs in large therapeutic categories such as organ transplantation, cardiovascular disease and immunosuppression.

- Independent studies have shown that approximately 30% of existing drugs suffer from absorption problems due to low water solubility. We believe that a large number of these drugs may be suitable candidates for our MeltDose technology, which we intend to use to create new best-in-class versions of these existing drugs.

- In addition, to expand the range of our proprietary product candidate opportunities, we intend to combine our MeltDose improved products with other marketed drugs to develop combination products with synergistic effects.

Developing service collaborations

- Where appropriate, we intend to partner with other pharmaceutical and biotech companies to provide services to help them extend the lifecycle of their currently approved products. These agreements would be primarily based around royalty payments from the sales of the product developed under such a collaboration.

- When we find that our MeltDose technology offers a unique opportunity to develop a patented product that is the bioequivalent of an existing approved drug, we intend to selectively pursue a strategy for generic products.

Building an organization for the future

In preparing our organisation for long term success, during the next phase of the company's growth we will further focus our efforts by strengthening our clinical and medical expertise within the area of organ transplantation.

Our strong skill base will enable us to continue to create and deliver best-in-class products within this area, as well as in related areas such as immunosuppressive and anti-viral treatments.

On a profit-generating basis, we plan to continue development of carefully assessed multiple generic products with pre-selected partners.

We also intend to continue to strengthen our pharmaceutical development, drug delivery/technology and eventually research expertise on our path to becoming a world-class, fully integrated speciality pharmaceutical company.

By narrowing our strategic focus to a number of defined clinical areas, we believe we can create long term success for LifeCycle Pharma, thereby providing the best value for our shareholders moving forward.

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PRODUCT PROGRAMS – OUR LATE-STAGE PIPELINE

During 2006 we had six lead product candidates in our portfolio. By using our MeltDose technology we were able to bring each product candidate from program initiation to first human dose in clinical studies in less than 12 months.

Our six lead product candidates are:

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. According to the American Heart Association (AHA), up to 34.5 million people in the US suffer from high cholesterol levels in the blood, and some of the biggest sub-populations have too high triglycerides levels, including patients with metabolic syndrome, mixed dyslipidemia and diabetes. Fenofibrate has proven to be very effective at lowering triglyceride concentrations and increasing high density lipoprotein ("HDL" or good cholesterol). In addition, it has a superior side effect profile compared with alternative drugs.

   In 2006, sales of all fenofibrate drugs were approximately USD 1.7 billion worldwide, an increase of 16% over 2005 (source: IMS). 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. We intend to seek a partner to market this product and it is planned that LCP-FenoChol will be ready for launch in the US in early 2008.

In the first half of 2007, we expect that pivotal studies will be initiated for LCP-Feno in the US. Merck Generics, our partner for the European market, is currently considering when to initiate pivotal studies for LCP-Feno in Europe.

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 North

America fenofibrate sold for approximately USD 384 million, an increase of 3% over 2005. (Source: IMS).

In the first half of 2007, we expect that pivotal studies will be initiated for LCP-Feno in the US. Merck Generics, our 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. We are 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. In 2006, total sales of lercanidipine were approximately USD 381 million, which represented an increase of 11% over 2005 sales (source: IMS).

4. **LCP-Tacro (organ transplant)** is designed to be a once-daily tablet product containing tacrolimus that we believe could be more effective and have a less variable blood concentration than Prograf, a tacrolimus drug currently marketed by Astellas. Tacrolimus is one of the most potent immunosuppressive substances, but today it is only available as a suboptimal twice-daily capsule with highly variable bioavailability.

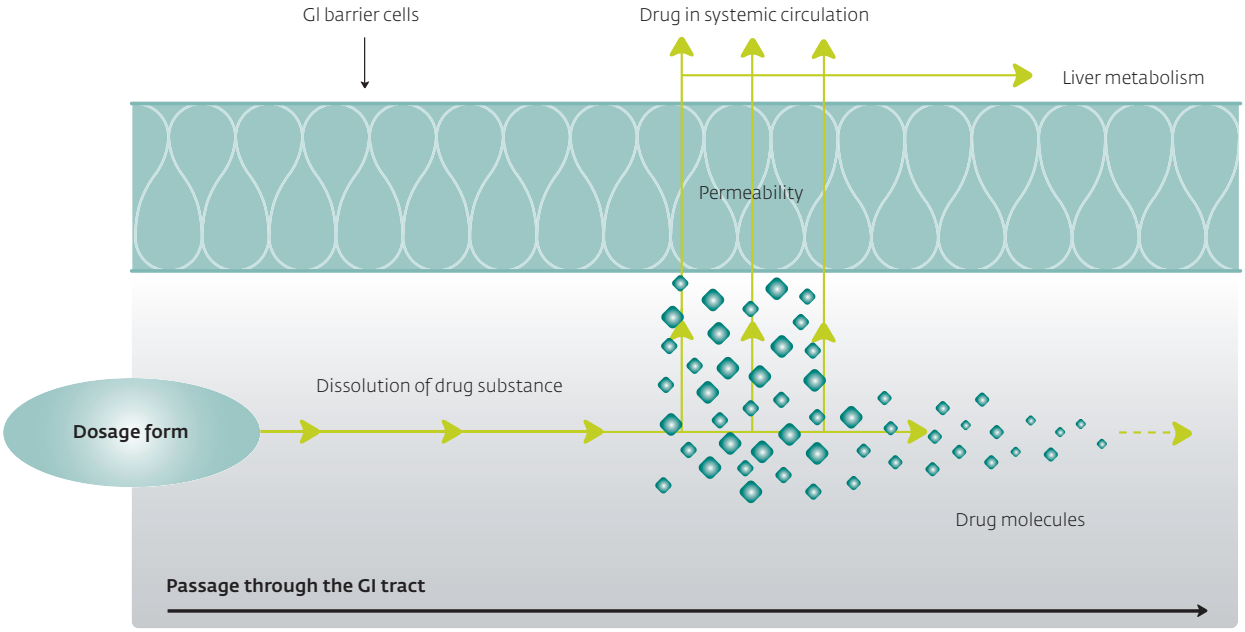
   Tacrolimus has a narrow therapeutic window, and we believe therefore, that the variability of Prograf may be a key drawback for its efficacy and side effect profile. Nonetheless, in 2006, worldwide sales of tacrolimus were approximately USD 1.4 billion, an increase of 13% over 2005 (source: IMS). The once-daily and more stable profile as well as the increased bioavailability of LCP-Tacro have been demonstrated in recent pilot Phase I studies. We initiated further Phase I clinical studies in September 2006, and we expect 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 we believe the mechanism-of-action could be relevant in many different disease indications.

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 we believe its usage has been hampered by the inconvenience, variability and unwanted side effects associated with the current marketed product.

5. **LCP-Tacro (autoimmune)** is designed to be a strong immunosuppressant that we believe may be efficacious not only in preventing organ transplant rejection 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 we believe its usage has been hampered by the inconvenience, variability and unwanted side effects associated with the current marketed product. We believe 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 we are currently evaluating. We are 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. We expect to initiate Phase II studies in one or more autoimmune therapy areas in the third quarter of 2007. Where appropriate we 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. We believe 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 we expect to initiate a Phase II program during first half of 2007.

MeltDose technology: Solubility is key to drug absorption
MeltDose improves solubility significantly and therefore facilitates GI tract permeability

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In 2007, LifeCycle Pharma expects to be advancing LCP-FenoChol through the FDA review process to ensure that the product is ready for introduction on the market in the United States in the beginning of 2008.

OUTLOOK FOR 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's scientific team will continuously investigate promising new product candidates for potential addition to our growing product pipeline.

In 2007, LifeCycle Pharma expects to be advancing LCP-FenoChol through the FDA review process to ensure that the product is ready for introduction on the US market in the beginning of 2008. Introduction of such a product into the US market requires sales capabilities that LifeCycle Pharma does not currently posses and the company is currently pursuing the possibility to outlicense LCP-FenoChol as an alternative to building a sales team in the US at this stage.

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 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 by advancing one of 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. In 2007, LifeCycle Pharma is projecting an 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.

As of 31 December 2006, the company's cash position equalled approximately DKK 465 million and 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.

FINANCIAL REVIEW FOR 2006

LifeCycle Pharma's operating loss for 2006 was DKK 149.1 million and the net loss was DKK 147.7 million. The corresponding operating loss and net loss for 2005 totaled DKK 94.3 million and DKK 95.2 million, respectively. The increase is primarily attributable to the increasing level of clinical activities arising from the advancement of the company's product pipeline. Revenues increased from DKK 2.8 million in 2005 to DKK 9.7 million in 2006. The increased revenue is attributable to the company's collaboration agreements with Sandoz, Recordati and Merck Generics.

During 2006, LifeCycle Pharma strengthened its cash position by the completion of the IPO on the OMX Nordic Exchange in November 2006.

The results for 2006 were in line with management's expectations for the year.

Revenues

During 2006, LifeCycle Pharma recognized revenues of a total of DKK 9.7 million compared to DKK 2.8 million for 2005. The revenues in 2006 arise primarily from services provided by the company under the collaboration agreements with Sandoz, Recordati and Merck Generics.

Research and development costs

Research and development costs increased by DKK 48.5 million, or by 60%, from DKK 80.9 million in 2005 to DKK 129.4 million in 2006. The increase in research and development costs is primarily attributable to the increased level of clinical activities arising from the advancement of LifeCycle Pharma's product pipeline.

On an overall basis, research and development costs account for 86.8% of our total operations costs in 2006 compared to 84.2% in 2005, when adjusted for warrant compensation. When not adjusted for warrant compensation, research and development costs account for 81.5% of our total operations costs in 2006 compared to 83.3% in 2005

General and administrative expenses

General and administrative expenses increased by DKK 13.2 million, or by 82%, from DKK 16.2 million in 2005 to DKK 29.4 million in 2006. The increase in general and administrative expenses is primarily attributable to a significant increase in warrant compensation expenses in 2006. Warrant compensation expenses increased by DKK 9.0 million, from DKK 1.0 million in 2005 to DKK 10.0 million in 2006.

Despite the significant increase in general and administrative expenses, on an overall basis, general and administrative expenses' share of our total costs of operations has decreased in 2006 to 13.2% compared to 15.8% in 2005, when adjusted for warrant compensa-

DIRECTORS' REPORT

During 2006, the company's operating activities required cash flow of DKK 125.8 million compared to DKK 86.8 million in 2005. The increase is primarily due to increasing research and development costs reflecting the increasing level of clinical activities arising from the advancement of LifeCycle Pharma's product pipeline.

tion. When not adjusted for warrant compensation general and administrative expenses' share of our total costs of operations has increased in 2006 to 18.5% compared to 16.7% in 2005

Financial items

Net financial income increased by DKK 2.1 million, from financial expenses of DKK 0.8 million in 2005 to financial income of DKK 1.3 million for 2006. This increase reflects the impact of the strengthening of our cash position by the completion of the IPO on the OMX Nordic Exchange in November 2006.

LifeCycle Pharma had a cash position of DKK 464.7 million by 31 December 2006.

Cash flow

As of 31 December 2006, the balance sheet reflects cash and cash equivalents of DKK 464.7 million compared to DKK 87.2 million as of 31 December 2005.

During 2006, the company's operating activities required cash flow of DKK 125.8 million compared to DKK 86.8 million in 2005. The increase is primarily due to increasing research and development costs reflecting the increasing level of clinical activities arising from the advancement of LifeCycle Pharma's product pipeline.

The net cash flow from financing activities was DKK 510.5 million in 2006. This reflects primarily the cash inflow from the completion of the IPO on the OMX Nordic Exchange in November 2006, resulting in net proceeds of approximately DKK 500 million. Total expenses incurred in connection with the IPO amounted to approximately DKK 56.5 million.

Currencies

LifeCycle Pharma publishes its financial statements in Danish Kroner (DKK). Solely for the convenience of the reader, this annual 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 December 2006, which was EUR 1.00 = DKK 7.456.

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 conform with the current accounting policies.

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

KEY FIGURES AND RATIOS

DKK (In thousands, except per share data)	2006	2005	2004	2003	2002[1]
Income statement					
for the period 1 January – 31 December					
Revenue	9,740	2,754	4,648	190	0
Research and development costs	(129,403)	(80,919)	(36,542)	(8,743)	(3,180)
Administrative expenses	(29,395)	(16,170)	(12,543)	(6,607)	0
Operating loss	(149,058)	(94,335)	(44,437)	(15,160)	(3,180)
Net financial expenses/income	1,345	(834)	(281)	140	125
Net loss for the year	(147,713)	(95,169)	(44,718)	(15,020)	(3,055)
Basic and diluted earnings per share	(7.65)	(6.82)	(4.58)	(3.00)	(0.90)
Balance sheet at 31 December					
Assets					
Total non-current assets	29,891	28,245	18,744	5,569	1,451
Cash and cash equivalents	464,658	87,224	9	10,621	7,986
Total current assets	477,166	108,112	5,794	11,832	8,423
Total assets	507,057	136,357	24,538	17,401	9,875
Equity and liabilities					
Equity	458,083	92,430	(1,647)	14,130	6,946
Total current liabilities	24,309	18,647	10,030	3,271	2,929
Total liabilities	48,974	43,927	26,185	3,271	2,929
Total equity and liabilities	507,057	136,357	24,538	17,401	9,875
Investment in property, plant & equipment	7,222	13,572	15,169	4,348	510
Cash flow statement					
for the period 1 January – 31 December					
Cash flow from operating activities	(125,813)	(86,771)	(43,530)	(15,057)	(504)
Cash flow from investing activities	(7,222)	(13,572)	(15,169)	(4,348)	(1,510)
Cash flow from financing activities	510,469	187,558	48,087	22,040	10,000
Cash and cash equivalents at 31 December	464,658	87,224	9	10,621	7,986
Other financial data					
Number of fully paid shares in issue as of 31 December [2]	30,369,816	4,428,569	2,634,269	1,746,370	1,000,000
Weighted average number of shares during the year [3]	19,313,737	13,965,252	9,768,052	5,014,244	3,402,136
Asset/equity at year end	1.11	1.48	N/A	1.23	1.42
Average number of employees for the year (full-time equivalents)	44	35	21	8	4

[1] Key figures and ratios for 2002 have been altered compared to the annual report for 2002. The alteration concerns the presentation of operating expenses. The alteration/preparation has not been audited.

[2] At a board meeting held 5 December 2005 the share capital was increased by 509,551 shares. 67,824 shares were paid in after 31 December 2005.

[3] Weighted average number of shares during 2002-2005 has been adjusted according to the issue of bonus shares in the ratio 1:3

KEY FIGURES AND RATIOS

EUR* (In thousands, except per share data)	2006	2005	2004	2003	2002[1]
Income statement					
for the period 1 January – 31 December					
Revenue	1,306	370	623	25	0
Research and development costs	(17,356)	(10,853)	(4,901)	(1,173)	(427)
Administrative expenses	(3,942)	(2,169)	(1,682)	(886)	0
Operating loss	(19,992)	(12,652)	(5,960)	(2,033)	(427)
Net financial expenses/income	181	(112)	(38)	(19)	17
Net loss for the year	(19,811)	(12,764)	(5,998)	(2,014)	(410)
Basic and diluted earnings per share	(1.03)	(0.91)	(0.61)	(0.40)	(0.12)
Balance sheet at 31 December					
Assets					
Total non-current assets	4,009	3,788	2,514	747	195
Cash and cash equivalents	62,320	11,698	1	1,424	1,071
Total current assets	63,998	14,500	777	1,587	1,130
Total assets	68,007	18,288	3,291	2,334	1,325
Equity and liabilities					
Equity	61,438	12,396	(221)	1,895	932
Total current liabilities	3,261	2,501	1,345	439	393
Total liabilities	6,569	5,892	3,512	439	393
Total equity and liabilities	68,007	18,288	3,291	2,334	1,325
Investment in property, plant & equipment	969	1,820	2,034	583	68
Cash flow statement					
for the period 1 January – 31 December					
Cash flow from operating activities	(16,874)	(11,638)	(5,838)	(2,019)	(68)
Cash flow from investing activities	(969)	(1,820)	(2,034)	(583)	(203)
Cash flow from financing activities	68,465	25,155	6,449	2,956	1,341
Cash and cash equivalents at 31 December	62,320	11,698	1	1,424	1,071
Other financial data					
Number of fully paid shares in issue as of 31 December [2]	30,369,816	4,428,569	2,634,269	1,746,370	1,000,000
Weighted average number of shares during the year [3]	19,313,737	13,965,252	9,768,052	5,014,244	3,402,136
Asset/equity at year end	1.11	1.48	N/A	1.23	1.42
Average number of employees for the year (full-time equivalents)	44	35	21	8	4

[1] Key figures and ratios for 2002 have been altered compared to the annual report for 2002. The alteration concerns the presentation of operating expenses. The alteration/preparation has not been audited.

[2] At a board meeting held 5 December 2005 the share capital was increased by 509,551 shares. 67,824 shares were paid in after 31 December 2005.

[3] Weighted average number of shares during 2002-2005 has been adjusted according to the issue of bonus shares in the ratio 1:3

*The figures in EUR have been translated for convenience. These figures are unaudited

Subsequent events
Important event announced since the balance sheet date:

- Positive data from the company's LCP-AtorFen Phase I clinical program was announced. The Phase I program was a comparative pharmacokinetic study between LCP-AtorFen and Lipitor® and Tricor®. The Phase I program showed LCP-AtorFen was safe and well-tolerated and that the product had a similar rate and extent of absorption compared to Lipitor and Tricor. LifeCycle Pharma expects to initiate a Phase II clinical program during first half of 2007.

No other significant events have occurred since the balance sheet date which could significantly affect the financial statements as of 31 December 2006.

Risk profile
LifeCycle Pharma is engaged in the creation and development of products with improved clinical benefits compared to existing marketed products, by utilizing our advanced and broad drug delivery technologies.

LifeCycle Pharma believes that by being engaged in the field of reformulation of existing marketed products, thus creating best-in-class versions of such existing products, that the company has a more advantageous risk/reward profile compared to traditional pharmaceutical development of new chemical entities

Generally, companies within the pharmaceutical industry engaged in drug development are exposed to a relatively high risk industry involving lengthy and costly development timelines for new products and a high degree of uncertainty as many product candidates will never reach the market.

However, LifeCycle Pharma believes that by being engaged in the field of reformulation of existing marketed products, thus creating best-in-class versions of such existing products, that the company has a more advantageous risk/reward profile compared to traditional pharmaceutical development of NCEs, such as:

- *Reduced risk of clinical failure.* The risks of clinical failure associated with our reformulated versions of existing drugs are reduced due to the proven safety and efficacy of the approved and marketed drugs upon which the reformulated product is based.
- *Reduced time for product approval.* The typical development cycle for a reformulated product of an existing drug substance is between three and five years, compared with between eight and 11 years for an NCE.
- *Reduced product development costs.* The typical development costs for a reformulated product are approximately USD 15-50 million, compared to approximately USD 600-800 million for an NCE.

A full description of LifeCycle Pharma's risk profile is provided in the offering circular, dated 30 October 2006.

Financial and economic risk factors
As LifeCycle Pharma incurs income and expenses in a number of different currencies, the company is subject to currency risks. Increases or decreases in the exchange rate of such foreign currencies against our functional currency, the DKK, can affect the company's results and cash position negatively or positively. The most significant cash flows of the company are DKK, EUR, USD and CAD. At the present time, LifeCycle Pharma will not perform currency hedging of ongoing cash flows in any of these foreign currencies. At the present time, LifeCycle Pharma deems that the currency risk is insignificant relative to the company's operations.

LifeCycle Pharma's exposure to interest rate risk is primarily ascribable to the positions of cash and cash equivalents, as we do not have significant interest bearing debts.

In order to preserve our capital received from the IPO while at the same time to maximize the income derived from our cash holdings, LifeCycle Pharma has decided for 2007 to place its cash holdings in high interest rate deposits. At the present time, LifeCycle Pharma deems that the total interest rate risk is insignificant relative to the company's operations.

In order to preserve our capital received from the IPO while at the same time to maximize the income derived from our cash holdings, LifeCycle Pharma has decided for 2007 to place its cash holdings in high interest rate deposits.

By using our MeltDose technology to reformulate drugs, we are able to submit product approval filings based on regulatory procedures for currently marketed products, which, we believe, substantially reduces our product development time and cost, as well as the risks associated with regulatory approval.

IMPROVING TREATMENTS VIA TECHNOLOGY

Our MeltDose technology has been designed to enhance the release and absorption of drug substances in the body by incorporating solubilised 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 of the drug substance (source: Technology Catalysts International; Delivery of Poorly Soluble or Poorly Permeable Drugs, 4 ed.). 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 NCEs for which low absorption of drug presents a significant barrier for development.

We believe that both the enhanced release and absorption (improved bioavailability) achieved by our MeltDose technology may not only increase the effectiveness of these drugs but 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.

We believe that 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.

We believe that both the enhanced release and absorption (improved bioavailability) achieved by our MeltDose technology may not only increase the effectiveness of these drugs but also reduce their adverse side effects.

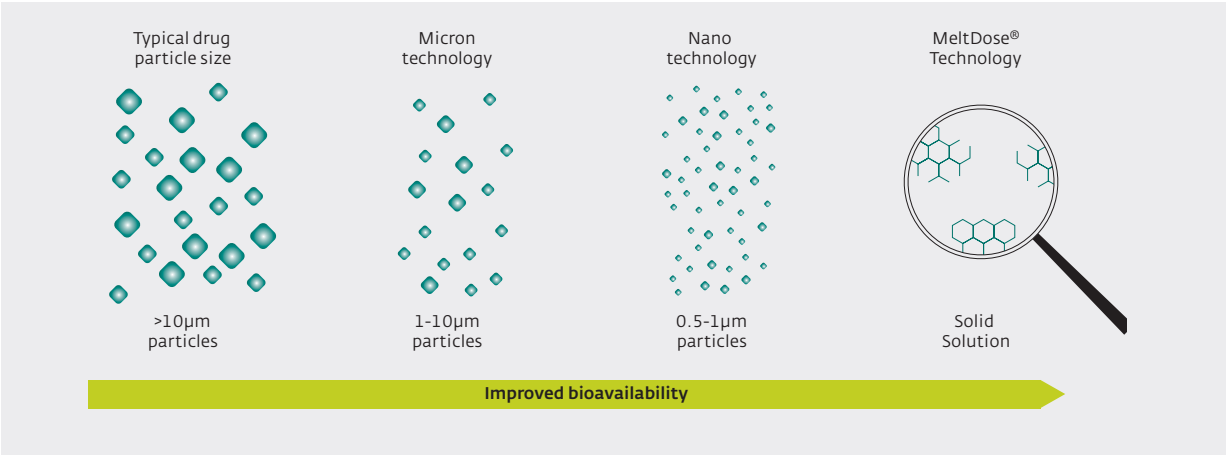
We expect that a reduction in the variability of the absorption may therefore improve the efficacy and reduce the incidence of side effects of these drugs.

We believe that these benefits may result in drugs with lower dosing, reduced side effects and improved safety and patient compliance.

By using our MeltDose technology to reformulate drugs, we are able to submit product approval filings based on regulatory procedures for currently marketed products, which, we believe, substantially reduces our product development time and cost, as well as the risks associated with regulatory approval.

We believe that this strategy will allow us to bring our product candidates to market faster than companies following more traditional drug development pathways.

Comparison of drug particle size



COLLABORATIONS

LifeCycle Pharma has the following strategic partnerships:

Recordati
In July 2004, Recordati and LifeCycle Pharma entered into a collaboration agreement to jointly develop and commercialize a new tablet formulation of Lercanidipine HCl marketed by Recordati as Zanidip using the MeltDose technology. The collaboration agreement, as amended in May 2006, aims at developing a novel formulation of Zanidip.

H. Lundbeck
In October 2006, H. Lundbeck and LifeCycle Pharma entered into an agreement by which H. Lundbeck was granted rights to the MeltDose technology in connection with H. Lundbeck's further development of two internal pre-clinical CNS-related projects. LifeCycle Pharma will receive milestone payments related to achieved results in the future developments of these projects. Due to the nature of an existing agreement between Lundbeck and LifeCycle Pharma, LifeCycle Pharma will not receive royalties on future possible revenues of these two CNS-related projects.

Sandoz
In September 2006, LifeCycle Pharma entered into a collaboration agreement with Sandoz to jointly develop, manufacture and commercialize LCP-Feno as an AB-rated generic version of Tricor for the US market.

Merck Generics
In June 2006, LifeCycle Pharma entered into collaboration with Merck Generics, a wholly owned subsidiary of Merck KGaA, to develop, manufacture and commercialize LCP-Feno as a generic version of Lipanthyl® for the European market.

For more detailed descriptions of these collaborations please refer to the IPO Prospectus dated 30 October 2006.

A TEAM FOR THE FUTURE

During 2006 LifeCycle Pharma began building an organization to fit its strategic goals and ambitions – a process that will continue during 2007. Attracting and retaining the best talent, not least in our pharmaceutical development, clinical and technology development/research areas is crucial to our success and continues to be a company wide focus.

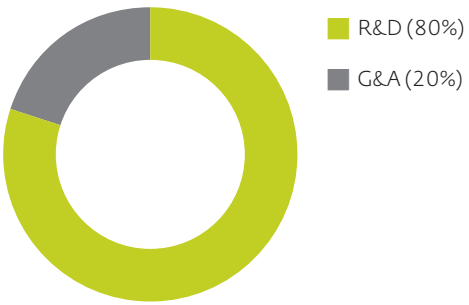
At the beginning of 2006 the company had 40 employees and by the end of the year that number had grown to 44.

LifeCycle Pharma's staff is predominantly employed in research and development, with a total of 80% working in this area, compared to 20% employed in general and administration. The research and development team is organized in a matrix structure, ensuring full flexibility in project management.

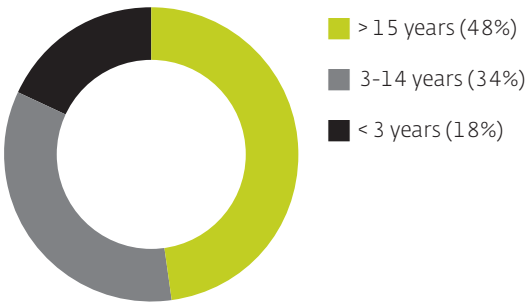
Educational background

LifeCycle Pharma's activities mean that our employees must be both highly motivated and well-educated. 59% of people working at the company have a masters qualification or above. Our team is also highly experienced, with 48% of our employees having worked in biotech or pharma for more than 15 years.

Employees in R&D and G&A



Experience in biotech or pharma



The company has established a duly qualified board of directors in terms of professional background and experience within the industry. 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, in the future, to perform its managerial and strategic duties given the company's existing stage of development and direction going forward.

CORPORATE GOVERNANCE

LifeCycle Pharma 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 "Revised Corporate Governance Recommendations 2005" published in August 2005 by the OMX Nordic Exchange's Committee on corporate governance (the "Recommendations").

The company generally agrees with the recommendations and complies with them to the extent that they are considered relevant in view of the company's development stage and activities.

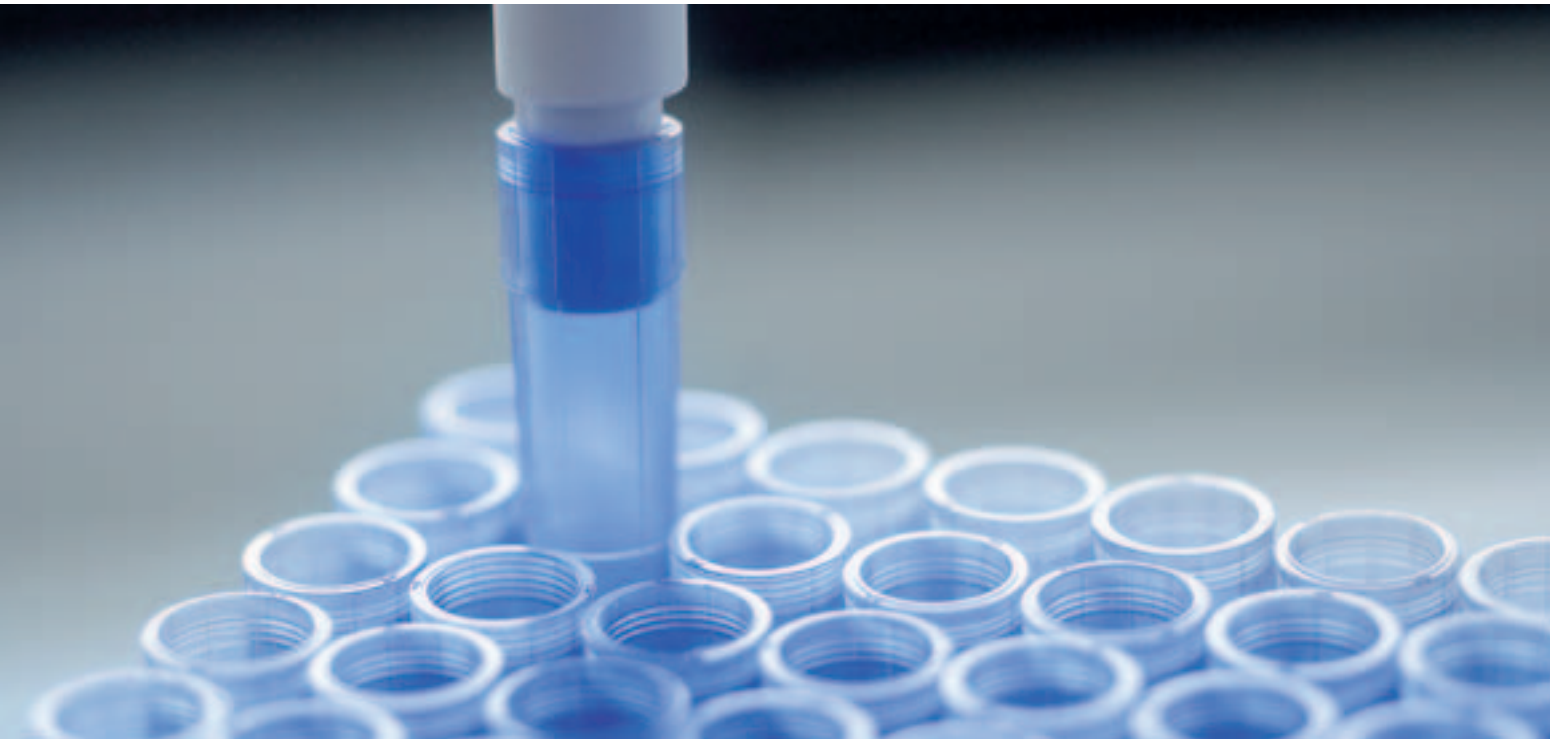
In particular, the company has established a duly qualified board of directors in terms of professional background and experience within the industry. The composition of the board of directors secures a diversity of relevant qualifications, nationalities, personalities and age in order for the board to be able, in the future, to perform its managerial and strategic duties given the company's existing stage of development and direction going forward.

In addition, the company's articles of association stipulate that the members of the board of directors are up for re-election each year at the annual general meeting (AGM). Also, board members must retire from the board of directors at the AGM immediately following their 70th birthday. Additionally, the activities of the board of directors are governed by internal rules of procedure.

In preparation for the IPO, the board of directors established a compensation committee whose purpose is to evaluate and make recommendations to the board regarding the remuneration paid to the management and the board. Also, the board has established an audit committee whose purpose is to review the 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 on these matters.

A majority of the members of the board of directors are employed by or otherwise have interests in certain of the company's major shareholders. The affiliation is to an extent a result of the company's origins as a spin-out company as well as the fact that the company's operations have been financed primarily through venture funding until the IPO in 2006.

The company has elected not to comply with a few of the recommendations. Such non-compliance is explained here, in accordance with the "comply-or-explain" principle:



- 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 company's board members hold directorships in excess of the number of directorships prescribed in the recommendations. The company elects to regard the recommendations' limit for the number of directorships as guidance only and wishes to leave the matter to the professional judgement of each director.

- One member of the board of directors has been granted warrants to subscribe to the company's shares. The company believes that the ability to offer warrants as well as other forms of stock compensation is necessary in order to attract key people from within the industry (whether as board members, managers or employees). None of the members of the board of directors received cash remuneration during 2006. However, it is to be expected that cash remuneration will be considered for 2007.

- The company reports remuneration for the board/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.

The IPO raised a total of approximately DKK 500 million in net proceeds for LifeCycle Pharma and resulted in more than 4,200 new shareholders in the company, with 50% of the shares from the IPO held outside of Denmark.

ABOUT OUR SHARES

LifeCycle Pharma's shares were listed on the OMX Nordic Exchange on 13 November 2006 after an IPO of 11 million new shares at an offer price of DKK 44 per share. The IPO was 6 times oversubscribed and therefore an over allotment of 1.65 million shares was subsequently exercized in full. The IPO raised a total of approximately DKK 500 million in net proceeds for LifeCycle Pharma and resulted in more than 4,200 new shareholders in the company, with 50% of the shares from the IPO held outside of Denmark.

LifeCycle Pharma is included in the MidCap+ segment of Danish companies and the MidCap Index of Nordic companies on the OMX Nordic Exchange.

Securities identification code
LifeCycle Pharma's shares are listed on the OMX Nordic Exchange under the symbol LCP. The securities identification code (ISIN) is DK0060048148.

Share capital
As of 31 December 2006 LifeCycle Pharma had a share capital of DKK 30,369,816 with a nominal value of DKK 1 per share.

The company has only one share class and all shares have equal voting rights.

Share price performance
LifeCycle Pharma's share price was DKK 44 at the time of the IPO and ended the year at DKK 56.

Ownership structure
As of the end of the year, a total of 2,076 of the company's shareholders were registered in the shareholders register. LifeCycle Pharma 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
Nordic Biotech K/S
Alta Partners (Alta BioPharma Partners III, L.P., Alta BioPharma III GmbH & Co. Beteiligungs KG and Alta Embarcadero BioPharma Partners III, LLC)

Environmental impact and ethics
LifeCycle Pharma focuses on the environmental implications that are related to drug development and the company complies with biological and chemical regulations currently in force. LifeCycle Pharma also strives to maintain high ethical standards in all of the company's activities.

INVESTOR RELATIONS

At LifeCycle Pharma we strive 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.

Our ambition is to ensure fair pricing of the company's shares in order to reflect the company's willingness to generate higher earnings to its shareholders.

In compliance with the disclosure requirements of the OMX Nordic Exchange, LifeCycle Pharma will publish quarterly reports on the company's development, including relevant financial information. In addition, LifeCycle Pharma will publish details about the company where such information is considered significant to the pricing of its shares. The company maintains an insider register and will publish any changes to certain insiders' shareholdings in accordance with the rules that apply for OMX Nordic Exchange. Such publication will be made immediately after the transaction. LifeCycle Pharma has adopted in-house rules, which stipulate that insiders may only purchase and sell shares in LifeCycle Pharma during a period of six weeks after the company's publication of financial statements, provided that such persons do not possess insider information. Such information will first be published via the website of the OMX Nordic Exchange and will immediately thereafter be available at the company website and be submitted to shareholders and others who via the company website have requested the receipt of e-mail news from the company.

You are welcome to contact LifeCycle Pharma with any questions or comments.

Investor relations contact:
Rachel Curtis Gravesen
Vice President IR & PR
E-mail: rcg@lcpharma.com
Phone: +45 36 13 29 17 (direct line)
Mobile: +45 25 12 62 60
Fax: +45 36 13 29 19

Corporate information

Lifecycle Pharma
Kogle Allé 4
DK-2970 Hørsholm
Denmark

CVR no. 26 52 77 67

Corporate lawyers
As for Danish law:
Mazanti-Andersen, Korsøe Jensen & Partnere
St. Kongensgade 69
DK-1264 Copenhagen K
Denmark

As for US law:
Satterlee Stephens Burke & Burke LLP
230 Park Avenue
New York, NY 10169
United States

Independent auditors
PricewaterhouseCoopers
Statsautoriseret Revisionsaktieselskab
Strandvejen 44
DK-2900 Hellerup
Denmark

Bankers to the company
BG Bank
Copenhagen Corporate Branch
Nørre Voldgade
DK-1011 Copenhagen K
Denmark

Annual report
Copies of this annual report are available in both Danish and English without charge upon request.

Annual general meeting
The annual general meeting will be held on 24 April 2007 at 2pm local time, at the SAS Radisson Hotel, Amager Boulevard 70, DK-2300 Copenhagen S, Denmark.

COMPANY ANNOUNCEMENTS

Stock exchange releases

22 December 2006	CSE no. 11/2006: Announcement LifeCycle Pharma issues 32,381 warrants to CEO Flemming Ørnskov.
21 December 2006	CSE no. 10/2006: Announcement FDA accepts LifeCycle Pharma's New Drug Application for LCP-FenoChol (fenofibrate) for review.
13 December 2006	IS Announcement LifeCycle Pharma strengthens Investor and Public Relations with appointment of a Vice President.
1 December 2006	CSE no. 09/2006: Announcement LifeCycle Pharma issues 96,000 warrants to new employees.
29 November 2006	CSE no. 08/2006: Announcement Report of transactions in LifeCycle Pharma shares and related securities by persons discharging managerial responsibilities and persons/companies closely associated with these.
29 November 2006	CSE no. 07/2006: Announcement Interim report for the 9 months ended 30 September 2006
20 November 2006	CSE no. 06/2006: Announcement Full exercise of over-allotment option for LifeCycle Pharma
15 November 2006	CSE no. 05/2006: Announcement Financial calendar
10 November 2006	CSE no. 04/2006: Announcement Strong interest for subscribing shares in LifeCycle Pharma offering was subscribed more than 6 times
9 November 2006	CSE no. 03/2006: Announcement LifeCycle Pharma offering closed for amounts above DKK 2 million
6 November 2006	CSE no. 02/2006: Announcement LifeCycle Pharma offering closed for subscriptions for amounts up to and including DKK 2 million
30 October 2006	CSE no. 01/2006: Announcement LifeCycle Pharma publishes an offering circular in connection with its intended flotation on the OMX Nordic Exchange

Press releases

16 October 2006	LifeCycle Pharma aiming to list on the OMX Nordic Exchange
11 October 2006	LifeCycle Pharma enters three distinct strategic collaboration agreements with global pharmaceutical companies
12 September 2006	LifeCycle Pharma strengthens its board of directors
14 August 2006	LifeCycle Pharma appoints internationally experienced pharmaceutical executive as new President and Chief Executive Officer
21 March 2006	LifeCycle Pharma appoints internationally acknowledged executives as new board members
31 January 2006	LifeCycle Pharma heads into pivotal trials with its immunosuppression product

STATEMENT BY THE EXECUTIVE MANAGEMENT AND BOARD OF DIRECTORS ON THE ANNUAL REPORT

The executive management and board of directors have today considered and adopted the annual report for the financial year 2006 of LifeCycle Pharma.

The annual report is prepared in accordance with the International Financial Reporting Standard 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 company.

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

Hørsholm, 5 March 2007

Executive management

Flemming Ørnskov

Michael Wolff Jensen

Board of directors

Claus Bræstrup
(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 1 January - 31 December 2006, pages 7-55, 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. 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 control 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 judgement, 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 control 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 control. 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 31 December 2006 of the company and of the results of the company operations and cash flows for the financial year 1 January - 31 December 2006 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

Copenhagen, 5 March 2007
PricewaterhouseCoopers
Statsautoriseret Revisionsaktieselskab

Lars Holtug
State Authorized Public Accountant

FINANCIAL STATEMENTS

INCOME STATEMENT

for the period 1 January – 31 December

(In thousands)	Note	2006 DKK	2005 DKK	2006 *EUR	2005 *EUR
Revenue		9,740	2,754	1,306	370
Research and development costs	4,5	(129,403)	(80,919)	(17,356)	(10,853)
Administrative expenses	4,5	(29,395)	(16,170)	(3,942)	(2,169)
Operating loss		**(149,058)**	**(94,335)**	**(19,992)**	**(12,652)**
Financial income	6	2,993	945	402	127
Financial expenses	7	(1,648)	(1,779)	(221)	(239)
Loss before tax		**(147,713)**	**(95,169)**	**(19,811)**	**(12,764)**
Tax for the year	8	0	0	0	0
Net loss for the year		**(147,713)**	**(95,169)**	**(19,811)**	**(12,764)**

The board of directors proposes the net loss be carried forward to next year.

	2006 DKK	2005 DKK	2006 *EUR	2005 *EUR
Basic and diluted EPS (in DKK/EUR)	**(7.65)**	**(6.82)**	**(1.03)**	**(0.91)**
Weighted average number of shares[1]	**19,313,737**	**13,965,252**		

(1) Weighted average number of shares during 2005 has been adjusted for the issue of bonus shares at the ratio 1:3

* The figures in EUR have been translated for convenience. These figures are unaudited

BALANCE SHEET

– assets at 31 December

(In thousands)	Note	2006 DKK	2005 DKK	2006 *EUR	2005 *EUR
Licenses and rights	9	779	829	104	111
Intangible assets		**779**	**829**	**104**	**111**
Process plant and machinery	10	23,184	16,310	3,110	2,188
Other fixtures and fittings, tools and equipment	10	80	195	11	26
Leasehold improvements	10	5,848	6,636	784	890
Prepayments for property, plant and equipment	10	0	4,275	0	573
Property, plant and equipment		**29,112**	**27,416**	**3,905**	**3,677**
Non-current assets		**29,891**	**28,245**	**4,009**	**3,788**
Receivables from capital increase		0	9,889	0	1,326
Trade receivables		6,707	0	900	0
Other receivables		5,430	8,609	728	1,155
Prepayments	11	371	2,390	50	321
Receivables		**12,508**	**20,888**	**1,678**	**2,802**
Cash and cash equivalents	13	**464,658**	**87,224**	**62,320**	**11,698**
Current assets		**477,166**	**108,112**	**63,998**	**14,500**
Assets		**507,057**	**136,357**	**68,007**	**18,288**

*The figures in EUR have been translated for convenience. These figures are unaudited

BALANCE SHEET

– equity and liabilities at 31 December

(In thousands)	Note	2006 DKK	2005 DKK	2006 *EUR	2005 *EUR
Share capital	12	30,370	4,429	4,073	594
Share premium		717,039	242,822	96,169	32,567
Retained earnings/loss		(289,326)	(154,821)	(38,804)	(20,765)
Equity		**458,083**	**92,430**	**61,438**	**12,396**
Finance lease	15	24,665	25,280	3,308	3,391
Non-current liabilities		**24,665**	**25,280**	**3,308**	**3,391**
Finance lease	15	6,081	5,044	816	677
Trade payables		11,957	10,714	1,604	1,437
Deferred revenue		373	0	50	0
Debt to shareholders		166	46	22	6
Other payables		5,732	2,843	769	381
Current liabilities		**24,309**	**18,647**	**3,261**	**2,501**
Liabilities		**48,974**	**43,927**	**6,569**	**5,892**
Equity and liabilities		**507,057**	**136,357**	**68,007**	**18,288**

Note

Financial risks	13
Warrants	14
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Related parties	17
Fees to auditors appointed by the annual general meeting	19

*The figures in EUR have been translated for convenience. These figures are unaudited

CASH FLOW STATEMENT

for the period 1 January – 31 December

(In thousands)	Note	2006 DKK	2005 DKK	2006 *EUR	2005 *EUR
Operating loss		**(149,058)**	**(94,335)**	**(19,992)**	**(12,652)**
Share-based payment	5,14	13,208	2,040	1,772	274
Depreciation and amortization	4	5,576	4,071	748	546
Changes in working capital	18	3,116	2,287	418	307
Cash flow from operating activities before interest		**(127,158)**	**(85,937)**	**(17,055)**	**(11,526)**
Interest received		2,993	945	402	127
Interest paid		(1,648)	(1,779)	(221)	(239)
Cash flow from operating activities		**(125,813)**	**(86,771)**	**(16,874)**	**(11,638)**
Purchase of property, plant and equipment		(7,222)	(13,572)	(969)	(1,820)
Cash flow from investing activities		**(7,222)**	**(13,572)**	**(969)**	**(1,820)**
Proceeds from bank borrowings and finance lease		5,251	14,182	705	1,902
Instalment on bank borrowings and finance lease		(4,829)	(3,941)	(648)	(529)
Proceeds from issuance of shares, net		510,047	177,317	68,408	23,782
Cash flow from financing activities		**510,469**	**187,558**	**68,465**	**25,155**
Increase/decrease in cash and cash equivalents		**377,434**	**87,215**	**50,622**	**11,697**
Cash and cash equivalents at 1 January		87,224	9	11,698	1
Cash and cash equivalents at 31 December		**464,658**	**87,224**	**62,320**	**11,698**
Cash and cash equivalents at 31 December comprise:					
Deposit on demand and cash		**464,658**	**87,224**	**62,320**	**11,698**

*The figures in EUR have been translated for convenience. These figures are unaudited

STATEMENT OF CHANGES IN EQUITY

1 January - 31 December 2006

(In thousands, except number of shares)	Number of shares	Share capital DKK	Share premium DKK	Retained earnings/loss DKK	Total DKK	Total *EUR
Equity as of 1 January 2006	**4,428,569**	**4,429**	**242,822**	**(154,821)**	**92,430**	**12,397**
Comprehensive income:						
Net loss for the year	0	0	0	(147,713)	(147,713)	(19,811)
Total comprehensive income	0	0	0	(147,713)	(147,713)	(19,811)
Issuance of shares	12,650,000	12,650	543,950	0	556,600	74,651
Warrant exercises	1,385	1	42	0	43	6
Share-based payment	0	0	0	13,208	13,208	1,771
Bonus shares	13,289,862	13,290	(13,290)	0	0	0
Costs related to capital increase	0	0	(56,485)	0	(56,485)	(7,576)
Equity as of 31 December 2006	**30,369,816**	**30,370**	**717,039**	**(289,326)**	**458,083**	**61,438**

1 January - 31 December 2005

(In thousands, except number of shares)	Number of shares	Share capital DKK	Share premium DKK	Retained earnings/loss DKK	Total DKK	Total *EUR
Equity as of 1 January 2005	**2,634,269**	**2,634**	**57,411**	**(61,692)**	**(1,647)**	**(221)**
Comprehensive income:						
Net loss for the year	0	0	0	(95,169)	(95,169)	(12,764)
Total comprehensive income	0	0	0	(95,169)	(95,169)	(12,764)
Issuance of shares	1,784,022	1,785	186,277	0	188,062	25,223
Warrant exercises	10,278	10	314	0	324	43
Share-based payment	0	0	0	2,040	2,040	274
Costs related to capital increase	0	0	(1,180)	0	(1,180)	(158)
Equity as of 31 December 2005	**4,428,569**	**4,429**	**242,822**	**(154,821)**	**92,430**	**12,397**

*The figures in EUR have been translated for convenience. These figures are unaudited

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 TO THE FINANCIAL STATEMENTS

Note 1

Principal activities

LifeCycle Pharma is a biopharmaceutical company with a late-stage pipeline of product candidates. All of LifeCycle Pharma's product candidates are new and improved formulations of already marketed products and are based on MeltDose, LifeCycle Pharma's proprietary reformulation technology. Using the MeltDose technology, LifeCycle Pharma has been able in less than four years to bring six product candidates in the fields of cardiovascular disease and immunosuppression into clinical development.

LifeCycle Pharma is a public limited liability company incorporated under the laws of Denmark.

Note 2

Summary of significant accounting policies

Basis of presentation

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the additional Danish disclosure requirements for annual reports of listed companies.

The preparation of financial statements in conformity with IFRS requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying LifeCycle Pharma's accounting policies. The areas involving higher degree of judgement or complexity, or areas where assumption and estimates are significant to the financial statements are disclosed in Note 3 (Critical accounting estimates and judgements).

The financial statements for 2005 have been restated compared to the published annual report for 2005 to adjust for revenue that should have been recognized in 2004 but was inappropriately recognized in 2005.

The restatement increased net loss by DKK 3,533 thousand and reduced revenue by DKK 3,533 thousand in 2005. Basic and diluted earnings per share was reduced by DKK 0.25. The statement of cash flow for the year, equity at year end and total assets has not been impacted.

The financial statements are presented in Danish Kroner, LifeCycle Pharma's functional currency. At initial recognition, assets and liabilities are measured at historic cost. However, financial assets and liabilities are measured at fair value. Subsequently, revenue and costs, assets and liabilities are measured as described below for each items. Income is recognized in the income statement when earned, whereas costs are recognized as incurred. Value adjustments of financial assets and liabilities are recognized in the income statement as financial income or financial expenses.

Convenience conversion of certain DKK amounts into Euro

The company's financial statements are published 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. 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.

Unless otherwise indicated, conversion herein of financial information into EUR has been made using the Danish Central Bank closing spot rate on 31 December 2006, which was EUR 1.00 = DKK 7.4560.

New standards, interpretations and amendments to published standards

The IASB has published certain standards, amendments and interpretations to existing standards that are mandatory for accounting periods beginning on or after 1 January 2007 or later periods but which LifeCycle Pharma has not early adopted. The contents of the new pronouncements are briefly described below.

- IFRS 7, Financial Instruments: Disclosures, (effective from 1 January 2007). IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces partly the IAS 32, Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under IFRS. The company assessed the impact of IFRS 7 and concluded that the main additional disclosures will be the sensitivity analysis to market risk. LifeCycle Pharma will apply IFRS 7 from annual periods beginning January 2007.
- IAS 1 (Amendment), Presentation of Financial Statements – Capital Disclosures (effective from 1 January 2007). The amendment to IAS 1 introduces new disclosures about the level of an entity's capital and how it manages capital. LifeCycle Pharma will apply IAS 1 from annual periods beginning 1 January 2007.

Furthermore, the following new pronouncements have been published, however, they are not relevant for Life-Cycle Pharma or the company's operations.

- IAS 19 (Amendment), Employee Benefits (effective from 1 January 2006).
- IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions (effective from 1 January 2006).
- IAS 39 (Amendment), The Fair Value Option (effective from 1 January 2006).
- IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts (effective from 1 January 2006).
- IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards (effective from 1 January 2006).
- IFRS 6, Exploration for and Evaluation of Mineral Resources (effective from 1 January 2006).
- IFRIC 4, Determining whether an Arrangement contains a Lease (effective from 1 January 2006).
- IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (effective from 1 January 2006).
- IFRIC 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment (effective from 1 December 2005).

Interpretations to existing standards that are not yet effective and have not been adopted by the company

The following interpretations to existing standards have been published that are mandatory for the company's accounting periods beginning on or after 1 May 2006 or later periods, but which the company has not adopted:

- IFRIC 8, Scope of IFRS 2 (effective for annual periods beginning on or after 1 May 2006). IFRIC 8 requires consideration of transactions involving the issuance of equity instruments – where the identifiable consideration received is less than the fair value of the equity instruments issued – to establish whether or not they fall within the scope of IFRS 2. The company will apply IFRIC 8 from 1 January 2007, but it is not expected to have any impact on the company's accounts.

Interpretations to existing standards that are not yet effective and not relevant for the company's operations

The following interpretations to existing standards have been published that are mandatory for the company's accounting periods beginning on or after 1 May 2006 or later periods but are not relevant for the company's operations:

- IFRIC 7, Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies (effective from 1 March 2006). IFRIC 7 provides guidance on how to apply the requirements of IAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when the economy was not hyperinflationary in the prior period. As the company does not operate within hyperinflationary economies, IFRIC 7 is not relevant to the company's operations.

- IFRIC 9, Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 June 2006). IFRIC 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. As the company has not changed the terms of its contracts, IFRIC 9 is not relevant to the company's operations.

Income statement

Revenue

Revenue comprises milestone payments, royalty and other income from research and development and commercialization agreements. Income is recognized over the period of the agreements in accordance with the terms of the agreements when it is considered realized or realizable and earned. This means that the general income criteria for income recognition has to be met, all significant risk and rewards of ownership of the goods/services has been transferred to the buyer, LifeCycle Pharma retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods/services sold, the amount of revenue can be measured reliably, it is probable that the economic benefit associated with the transaction will flow to the company, and the cost incurred or to be incurred in respect of the transaction can be measured reliably. Revenue is 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 personal staff costs including pension, other costs including cost of premises, depreciation and amortization related to research and development activities.

Research costs are recognized in the income statement as incurred. Development costs are recognized in the income statement when incurred if the requirement for capitalization of the development costs is assessed not to have been complied with.

A development project involves a single product candidate undergoing a high number of tests in order to prove its safety profile and effect on human beings in order to be able to obtain 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 projects have been finalized and the necessary market approvals of the final product have been obtained. As a consequence all development costs are recognized in the income statement in the period to which they relate.

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

Administrative expenses are recognized in the income statement as incurred.

Foreign currency
Transactions incurred in foreign currencies are translated at the exchange rate prevailing on the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate prevailing on the balance sheet date. Exchange rate differences that arise between the rate at the transaction date and the rate at the settlement date are recognized in the income statement as financial income or financial expenses.

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.

Income taxes
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 applying 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 measured based on 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 crystallise as current tax. Changes in deferred tax resulting from changed tax rates are recognized in the income statement.

Deferred tax assets, including the tax base 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.

Segment reporting
LifeCycle Pharma 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. As a consequence of this, no segment reporting is made concerning business areas or geographical areas.

Share-based payment
Employees (including executive management), board members and external consultants have been granted warrants. For warrants granted after 7 November 2002 and not vested 1 January 2005, share-based payment to employees (including executive management), board members and external consultants are recognized in the income statement on a straight-line basis over the vesting period.

The total amount recognized over the vesting period is determined as the fair value on each grant date.

Balance sheet

Intangible assets
Intangible assets comprise acquired patent rights. Patent rights acquired 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 allocated on a straight-line basis over the expected useful life, which is 20 years.

Property, plant and equipment
Property, plant and equipment comprise process plant and machinery, other fixtures and fittings, tools and equipment and leasehold improvements. Property, plant and equipment is recognized at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisi-

tion of the assets. Borrowing costs are not included. 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 other repair and maintenance costs are charged to the income statement during the financial periods in which they are incurred.

Depreciation of property, plant and equipment 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

Impairment of non-current assets
The carrying amounts of intangible assets and property, plant and equipment are 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 made. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. 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.

Trade receivables
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 individual evaluation of each amount collectible.

Prepayments
Prepayments comprise incurred costs related to subsequent financial years. Prepayments are measured at the price paid.

Cash and cash equivalent
Cash and cash equivalents comprise cash and deposits with financial institutions.

Equity
The share capital comprises the nominal value of the company's ordinary shares, each at a nominal value of DKK 1.

The share premium account 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.

Provisions
Provisions are recognized when the company has an existing legal or constructive obligation as a result of a prior event on or before the balance sheet date, and it is probable that the company has to give up future economic benefits in order to repay the obligation. The provisions are measured according to an assessment of the costs required in order to repay the present obligation at the balance sheet date. Provisions which are not expected to be repaid within a year from the balance sheet date are measured at present 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. Finance leases are capitalized on inception of the lease at the lower of the fair value of the leased assets and the present value of the minimum lease payments. Each lease payment is allocated between liability and financial charges so as to achieve a constant rate of interest on the lease balance outstanding. The corresponding lease obligation, net of finance charges, is included in other non-current and current liabilities. The interest element of the finance costs is recognized as financial expenses over the lease period so as to produce a constant periodical rate of interest on the remaining balance of the liability for each period. Assets held under finance leases 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 administrative expenses, depending on the use of the asset.

Financial liabilities
Financial liabilities including trade payables and other payables are measured at amortized costs, which usually corresponds to the nominal value.

Deferred revenue
Deferred revenue reflects the part of revenue which has not been recognized as income. The item reflects the part of the revenue that has not been recognized as income immediately on receipt of payment and which concerns agreements with multiple components which cannot be separated.

Derivative financial instruments
LifeCycle Pharma does not have derivative financial instruments.

Key figures

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

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

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

Basic EPS
Basic EPS is calculated as the net income/loss from continuing operations for the period that accrue to the company's ordinary shares after deduction of preference dividend, divided by the weighted average number of ordinary shares outstanding.

Diluted EPS
Diluted EPS is calculated as the net income/loss from continuing operations for the period that accrues to the company's ordinary shares after deduction of preference dividend, divided by the weighted average number of ordinary shares outstanding adjusted by an assumed dilutive effect of issued equity instruments in the form of convertible debt instruments and granted warrants outstanding that can be converted into ordinary shares.

As LifeCycle Pharma has generated a loss, no adjustment has been made for dilutive effects.

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, as share-based payment, depreciation, amortization, 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 financial activities comprise cash flows from issuance of shares net of costs, raising and instalments of non-current loans including instalments on finance lease contracts.

Cash and cash equivalents comprise cash at hand and deposit at banks.

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

Note 3

Critical accounting estimates and judgements
Estimates and judgements are made in an ongoing process based on historic experience and other factors, including expectations of future events based on existing circumstances.

Critical accounting estimates and assumptions
During the financial year, no estimates or judgements have been made involving a material risk of significant adjustments of the assets or liabilities at the balance sheet date.

Critical estimates applying the company's accounting policies

Revenue comprises license payments, miliestone payments, royalty and other income from research and commercialization agreements. The income is recognized in accordance with the terms of the agreements when it is considered realized or realizable and earned.

As per IAS 38 "Intangible assets", 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 technical exploitation potential has been demonstrated and that suffi-

cient resources can be documented for completing the development work and marketing the final product or for use of the product in-house; and (3) that the company's management has indicated its intention to produce and market the product or use it in-house. Finally, it must be documented with sufficient certainty that future revenue from the development project will exceed the costs of production and development and for the costs of sale and administration of the product.

Development costs relating to individual projects are recognized as assets only if there is sufficient certainty that future earnings from the individual projects will exceed not only production, sales and administrative costs, but also the actual development costs of the product. Management believes that there is generally great risk involved in the development of pharmaceutical products, and there is consequently not, at present, sufficient certainty of future earnings. The future economic benefits related to product development cannot be determined with sufficient certainty until the development activities have been completed and the necessary approvals have been obtained. As a result, management has decided to expense the development costs incurred during the year.

Note 4

Depreciation and amortization (In thousands)	**2006** **DKK**	**2005** **DKK**	**2006** ***EUR**	**2005** ***EUR**
Licenses and rights	50	53	7	7
Process plant and machinery	4,060	2,911	545	391
Other fixtures and fittings	115	162	15	22
Leasehold improvements	879	860	118	115
(Gain)/loss from sale of property, plant and equipment	472	0	63	0
Write-down on a terminated patent	0	85	0	11
Total	**5,576**	**4,071**	**748**	**546**
Allocated by function:				
Research and development costs	5,461	3,909	733	524
Administrative expenses	115	162	15	22
Total	**5,576**	**4,071**	**748**	**546**

*The figures in EUR have been translated for convenience. These figures are unaudited

NOTES TO THE FINANCIAL STATEMENTS

Note 5

Staff costs (In thousands, except number of employees)	2006 DKK	2005 DKK	2006 *EUR	2005 *EUR
Wages and salaries	37,574	25,688	5,039	3,445
Pension contributions	2,686	2,146	360	288
Other social security costs	282	204	38	27
Share-based payment	13,208	2,040	1,772	274
Total	**53,750**	**30,078**	**7,209**	**4,034**
Allocated by function:				
Research and development costs	30,993	21,510	4,157	2,885
Administrative expenses	22,757	8,568	3,052	1,149
Total	**53,750**	**30,078**	**7,209**	**4,034**
Average number of employees	44	35		
Remuneration of board of directors, executive management and senior managers:				
Board of directors				
Share-based payment	833	407	112	55
Executive management				
Gross salary [1]	5,266	3,865	706	518
Bonus	771	169	103	23
Share-based payment	8,817	391	1,183	52
Senior managers				
Gross salary	4,116	2,799	552	375
Bonus	761	324	102	43
Share-based payment	1,726	376	231	50

[1] The amount includes salary for the former CEO of LifeCycle Pharma Jan Møller Mikkelsen.

*The figures in EUR have been translated for convenience. These figures are unaudited

Staff costs - continued

Pension schemes are defined contribution schemes and LifeCycle Pharma 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 during 2006:

	As per 1 January 2006		As per 31 December 2006	
	Shares	Warrants	Shares	Warrants
Board of directors				
Claus Braestrup	0	0	0	0
Kurt Anker Nielsen	0	0	0	0
Thomas Dyrberg	0	0	0	0
Jean Deleage	0	0	0	0
Gérard Soula	0	50,000	0	50,000
Executive management:				
Flemming Ørnskov	0	220,000	0	1,373,138
Michael Wolff Jensen	14,632	318,284	16,901	502,284

Note 6

Financial income (In thousands)	**2006 DKK**	**2005 DKK**	**2006 *EUR**	**2005 *EUR**
Exchange rate gains	0	326	0	44
Other financial income	2,993	619	402	83
Total	**2,993**	**945**	**402**	**127**

Note 7

Financial expenses (In thousands)	**2006 DKK**	**2005 DKK**	**2006 *EUR**	**2005 *EUR**
Exchange rate losses	67	0	9	0
Interest on finance leases	1,443	1,180	194	158
Interest expenses	131	586	17	79
Interest expenses, shareholders	0	13	0	2
Other financial expenses	7	0	1	0
Total	**1,648**	**1,779**	**221**	**239**

*The figures in EUR have been translated for convenience. These figures are unaudited

Note 8

Tax and deferred tax (In thousands)	2006 DKK	2005 DKK	2006 *EUR	2005 *EUR
Income tax for the year	**0**	**0**	**0**	**0**
Can be explained as follows:				
Income/(loss) for the year before tax	(147,713)	(95,169)	(19,811)	(12,764)
Computed tax on the income/(loss) for the year	(41,360)	(26,647)	(5,547)	(3,574)
Change in tax losses carried forward not capitalized	40,859	22,712	5,480	3,046
Change in other deferred tax assets not capitalized	49	3,674	6	493
Tax on equity postings	(3,266)	0	(438)	0
Other permanent adjustments	3,718	261	499	35
Income tax for the year	**0**	**0**	**0**	**0**
Tax rate	**28%**	**28%**	**28%**	**28%**
Calculated deferred tax asset	84,550	43,642	11,340	5,853
Write down to assessed value	(84,550)	(43,642)	(11,340)	(5,853)
Carrying amount	**0**	**0**	**0**	**0**
The components of the deferred tax assets are as follows:				
Intangible assets	89	76	12	10
Property, plant and equipment	(4,601)	(3,522)	(617)	(472)
Leasehold improvements	(1,637)	(1,858)	(220)	(249)
Finance leases	8,609	8,491	1,155	1,139
Prepayments	0	(1,197)	0	(161)
Accrued Liabilities	1,506	1,927	202	258
Tax loss carried forward	80,584	39,725	10,808	5,328
	84,550	**43,642**	**11,340**	**5,853**

The deferred tax assets have been written down, as it is uncertain whether or not the tax assets will be realized in future earnings. The deferred tax assets do not become obsolete.

Note 9

Intangible assets

Licenses and rights (In thousands)	2006 DKK	2005 DKK	2006 *EUR	2005 *EUR
Cost at 1 January	1,000	1,100	134	147
Additions	0	0	0	0
Disposals	0	(100)	0	(13)
Cost at 31 December	**1,000**	**1,000**	**134**	**134**
Amortization at 1 January	(171)	(133)	(23)	(18)
Amortization	(50)	(53)	(7)	(7)
Amortization regarding disposals for the year	0	15	0	2
Amortization at 31 December	**(221)**	**(171)**	**(30)**	**(23)**
Carrying amount at 31 December	**779**	**829**	**104**	**111**
The weighted average residual term of licenses and rights is approx. (years)	16	17		

*The figures in EUR have been translated for convenience. These figures are unaudited

Note 10

Property, plant and equipment

Process plant and machinery (In thousands)	**2006 DKK**	**2005 DKK**	**2006 *EUR**	**2005 *EUR**
Cost at 1 January	20,448	10,734	2,742	1,440
Additions	1,980	8,714	266	1,169
Transfer from prepayments for property plant and equipment	9,426	1,000	1,264	134
Disposals	(599)	0	(80)	0
Cost at 31 December	**31,255**	**20,448**	**4,192**	**2,743**
Depreciation at 1 January	(4,138)	(1,227)	(555)	(165)
Depreciation	(4,060)	(2,911)	(545)	(390)
Depreciation regarding disposals for the year	127	0	18	0
Depreciation at 31 December	**(8,071)**	**(4,138)**	**(1,082)**	**(555)**
Carrying amount at 31 December	**23,184**	**16,310**	**3,110**	**2,188**
Carrying amount of assets held under finance leases included in the above amounted to	20,862	15,058	2,798	2,020

Other fixtures and fittings, tools and equipment (In thousands)				
Cost at 1 January	631	631	85	85
Additions	0	0	0	0
Disposals	0	0	0	0
Cost at 31 December	**631**	**631**	**85**	**85**
Depreciation at 1 January	(436)	(274)	(59)	(37)
Depreciation	(115)	(162)	(15)	(22)
Depreciation regarding disposals for the year	0	0	0	0
Depreciation at 31 December	**(551)**	**(436)**	**(74)**	**(59)**
Carrying amount at 31 December	**80**	**195**	**11**	**26**
Carrying amount of assets held under finance leases included in the above amounted to	58	143	8	19

Leasehold improvements (In thousands)				
Cost at 1 January	8,033	7,450	1,077	999
Additions	91	583	12	78
Disposals	0	0	0	0
Cost at 31 December	**8,124**	**8,033**	**1,089**	**1,077**
Depreciation at 1 January	(1,397)	(537)	(187)	(72)
Depreciation	(879)	(860)	(118)	(115)
Depreciation regarding disposals for the year	0	0	0	0
Depreciation at 31 December	**(2,276)**	**(1,397)**	**(305)**	**(187)**
Carrying amount at 31 December	**5,848**	**6,636**	**784**	**890**
Carrying amount of assets held under finance leases included in the above amounted to	5,848	6,636	784	890

*The figures in EUR have been translated for convenience. These figures are unaudited

Property, plant and equipment - continued

Prepayments for property, plant and equipment (In thousands)	2006 DKK	2005 DKK	2006 *EUR	2005 *EUR
Cost at 1 January	4,275	1,000	573	134
Additions	5,151	4,275	691	573
Transferred to process plant and machinery	(9,426)	(1,000)	(1,264)	(134)
Cost at 31 December	**0**	**4,275**	**0**	**573**
Depreciation at 1 January	0	0	0	0
Depreciation	0	0	0	0
Depreciation regarding disposals for the year	0	0	0	0
Depreciation at 31 December	**0**	**0**	**0**	**0**
Carrying amount at 31 December	**0**	**4,275**	**0**	**573**

*The figures in EUR have been translated for convenience. These figures are unaudited

Note 11

Prepayments – current assets

Prepayments comprise subscriptions, insurance, pension and other prepaid costs.

Note 12

Share capital

On 31 December 2006 the total number of outstanding shares was 30,369,816. Each share has a nominal value of DKK 1 and one vote.

In 2006 the share capital has increased by 1,385 shares related to the exercise of vested warrants by terminated employees.

At the extraordinary general meeting held on 27 July 2006 LifeCycle Pharma's shareholders resolved to issue bonus shares in the ratio 1:3. As a result LifeCycle Pharma's share capital was increased by DKK 13,289,862 on 27 July 2006.

The shares of LifeCycle Pharma were listed on the OMX Nordic Exchange on 13 November 2006 through the IPO of 11 million new shares at an offer price of DKK 44 per share. The initial public offering was subscribed more than 6 times. The joint lead managers' over allotment option was subsequently exercised in full, leading to the issue of an additional 1.65 million shares. Through the offering, LifeCycle Pharma raised a total of DKK 556.6 million in gross proceeds. The offering produced more than 4,200 new shareholders in LifeCycle Pharma and approximately 50% of the IPO was subscribed outside Denmark.

Changes in share capital from 2002 to 2006:

The table below sets forth the changes in our issued share capital since the company's incorporation:

Date	Transaction	Share capital	Share classes after capital increase	Share price in DKK [1]
21 March 2002	Incorporation	500,000[2]	A-shares	0.25 (1.00)
13 June 2002	Cash contribution and contribution in kind	1,000,000[3]	A-shares	4.75 (19.00)
29 August 2003	Cash contribution	1,746,370[4]	1,000,000 A-shares 746,370 B-shares	7.3825 (29.53)
22 March 2004	Cash contribution	2,634,269[5]	1,508,425 A-shares 1,125,844 B-shares	7.885 (31.54)
11 May 2005	Cash contribution	3,908,740[6]	1,508,425 A-shares 1,125,844 B-shares 1,274,471 C-shares	22.30 (89.20)
22 August 2005	Cash contribution	3,919,018[7]	1,518,703 A-shares 1,125,844 B-shares 1,274,471 C-shares	7.885 (31.54)
5 December 2005	Cash contribution	4,428,569[8]	1,518,703 A-shares 1,125,844 B-shares 1,274,471 C-shares 509,551 D-shares	36.3725 (145.49)
23 January 2006	Cash contribution	4,429,954[9]	1,520,088 A-shares 1,125,844 B-shares 1,274,471 C-shares 509,551 D-shares	7.885 (31.54)
27 July 2006	Capital increase on 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
27 July 2006	Reclassification of share classes	17,719,816[10]	17,719,816 shares	N/A
13 November 2006	Cash contribution	11,000,000[11]	28,719,816 shares	44.00
23 November 2006	Cash contribution	1,650,000[12]	30,369,816 shares	44.00

Notes:

(1) Price per nominal DKK 1 share as adjusted after the issue of bonus shares on 27 July 2006. Numbers in brackets indicate the share price prior to the resolution to issue bonus shares on 27 July 2006.

(2) Original issue in March 2002 of 500,000 new shares of nominal value DKK 1.

(3) 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.

(4) Issuance of 746,370 B-shares in connection with subscription by Novo A/S, Nordic Biotech K/S and H. Lundbeck A/S.

(5) 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.

(6) Issuance of 1,274,471 C-shares in connection with subscription by Alta Partners, Lacuna, Novo AS, Nordic Biotech K/S, H. Lundbeck A/S, Jan Møller Mikkelsen, Michael Wolff Jensen and Samuel Zucker.

(7) Issuance of 10,278 A-shares in connection with the subscription through the exercise of employee warrants.

(8) 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.

(9) Issuance of 1,385 A-shares in connection with subscription through the exercise of employee warrants.

(10) Reclassification of share classes resolved by the general meeting conditional upon completion of the IPO.

(11) Issuance of 11 million shares in connection to the initial public offering on 13 November, 2006.

(12) Exercise of over allotment option, leading to the issue of an additional 1.65 million shares.

Note 13

Financial risks

Interest rate and currency exposure The following contractual conditions should be noted concerning financial assets and liabilities	31 Dec 2006	31 Dec 2005
Demand deposit DKK '000	464,658	87,208
Average variable interest	2.85%	2.04%
Of the above:		
Demand deposit in EURO '000	45,902	11,566
Average exchange rate	745.91	745.17
Average variable interest rate	2.65%	2.04%

LifeCycle Pharma's policy is to limit any material risks related to the interest and fair value risks. LifeCycle Pharma has not entered into transactions or agreements that have material inherent financial risks.

LifeCycle Pharma does not hedge transactions. Management assesses and monitors LifeCycle Pharma's currency exposure and interest rate exposure on a regular basis. LifeCycle Pharma's net position (excluding the above demand deposit in EUR) in foreign currency is stated below:

	31 Dec 2006	31 Dec 2005
USD '000	(52)	(851)
EUR '000	123	(289)
SEK '000	(41)	(30)
GBP '000	(12)	(24)
CAD '000	(449)	0

The carrying amount approximately equals the fair value.

Credit risk

Cash and cash equivalents are placed as demand deposits in one bank which is rated Aa1 by Moody's.

Note 14

Warrants

LifeCycle Pharma has established warrant programmes for board members, members of executive management, employees, consultants and advisors. Warrants have being issued pursuant to these programmes as of 2003. All warrants have been issued by LifeCycle Pharma's shareholders or by LifeCycle Pharma's board of directors pursuant to valid authorizations in LifeCycle Pharma's articles of association and the terms and conditions have in accordance with applicable legislation been incorporated in the articles of association.

Number of outstanding warrants

As of 31 December 2006, LifeCycle Pharma has issued and there are still outstanding 4,823,712 warrants conferring a right to subscribe in aggregate 4,823,712 shares, with a weighted average subscription price per share of approximately DKK 23.44.

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 as resolved at the general meeting on 27 July 2006. All the number of shares during 2005 has been adjusted according to the issue of bonus shares in the ratio 1:3

Vesting period

Warrants issued during 2003 – 2005 vest in general at 1/36 per month from the date of grant. However, 727,364 warrants vest from the date of employment of the warrant holder and 554,580 warrants issued to JMM Invest ApS (a company wholly owned by LifeCycle Pharma's former CEO Jan Møller Mikkelsen) are not subject to vesting periods. 310,880 warrants issued to the executive management in the period 2003 – 2005 vested in connection with the IPO of LifeCycle Pharma's shares.

1,024,000 warrants were issued on 10 June 2006. Out of these, 452,000 warrants, issued to the executive management and consultants, vest at 1/48 per month from 1 January 2006. 572,000 warrants issued to employees who are comprised by the Danish act on exercise of purchase rights or subscription rights regarding shares etc. in employment ("the Stock Option Act") are, pursuant to the terms of the warrants, deemed vested in full on 1 January 2008. 96,000 warrants were issued to employees on 1 December 2006. These warrants vest at 1/48 per month from the date of grant. 32,381 warrants were issued to LifeCycle Pharma's CEO, Dr. Flemming Ørnskov on 22 December 2006. All these warrants were fully vested as of the time of grant.

Vesting principles for management and employees
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 LifeCycle Pharma's breach of contract or (ii) if LifeCycle Pharma terminates the employment relationship where the employee has given LifeCycle Pharma good reason to do so. The warrant holder will, however, be entitled to exercise vested warrants in the first coming exercise period after termination. If the first exercise period after termination falls within three months of the termination date, the warrant holder shall, additionally, be entitled to exercise in the following exercise period. In all other instances than (i) and (ii) above, or in case of the warrant holder's death where all warrants are voided, warrants granted after 1 July 2004 continue to vest as had the employee remained employed by LifeCycle Pharma.

For warrants issued on 10 June 2006 to employees comprised by the Stock Option Act, such employee will be entitled to keep all warrants issued to him/her in the event of termination by LifeCycle Pharma of the employment relationship unless the termination is caused by breach on the part of the employee. In case such employee resigns his/her position, the employee may only exercise such part of the warrants issued in respect of which the exercise period has commenced before termination. Warrants issued on 10 June and 7 September 2006 to the executive management cease to vest upon termination of the employment relationship irrespective of the reason for the termination.

Further, upon completion of LifeCycle Pharma's IPO, 1/10th of the 1,120,757 warrants issued to Dr. Flemming Ørnskov on 7 September 2006 vested and the vesting period for the remaining unvested warrants was shortened by 4.8 months. If at the anniversary of the IPO in 2007 the price of LifeCycle Pharma's shares is higher than DKK 44.00 (corresponding to the IPO price per share) plus 50%, then a further 1/10th of the 1,120,757 warrants will vest and the vesting period for the remaining unvested warrants will be shortened by a further 4.8 months.

On 22 December 32,381 warrants were issued to Dr. Flemming Ørnskov. All these warrants were fully vested as of the date of grant.

Vesting principles for board members, consultants and advisors
Exercise of warrants issued to board members, consultants and advisors are conditional upon the warrant holder being connected to LifeCycle Pharma as a board member, consultant or advisor, respectively, 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 annual report announcement and LifeCycle Pharma's interim report for the first six month period ended 30 June of the relevant financial year, respectively.

Adjustments
Warrant holders are entitled to an adjustment of the numbers 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 LifeCycle Pharma's equity capital.

Value of warrants
The aggregate value of outstanding warrants has been calculated at DKK 184 million using the Black Scholes Option Pricing Model on the assumptions of (i) a share price of DKK 56 per share, the closing price as of 31 December 2006, (ii) a volatility of 35%, (iii) no payment of dividends, and (iv) a risk free interest rate at 3.92% annually.

Warrants – continued	Employees	Executive management	Board of directors	Other external	Total
Outstanding as of 1 January 2005	959,796	1,080,500	103,528	34,000	2,177,824
Granted in the year	438,000	60,000	270,000	8,000	776,000
Exercised in the year	(41,112)	0	0	0	(41,112)
Cancelled in the year	(118,888)	0	0	0	(118,888)
Outstanding as of 31 December 2005	**1,237,796**	**1,140,500**	**373,528**	**42,000**	**2,793,824**
Granted in the year	668,000	1,597,138	0	8,000	2,273,138
Exercised in the year	(5,540)	0	0	0	(5,540)
Cancelled in the year	(26,460)	(211,250)	0	0	(237,710)
Change between categories	870,966	(650,966)	(323,528)	103,528	0
Outstanding as of 31 December 2006	**2,744,762**	**1,875,422**	**50,000**	**153,528**	**4,823,712**

Compensation costs relating to warrants

The fair value of warrants granted during the period is based on the Black-Scholes valuation model on the assumption of i) a volatility of 35 % ii) no payment of dividends, iii) a risk free interest rate, set out as below and iv) life of warrants determined as the average of the date of becoming exercisable and the date of expiry.

The volatility has been determined on the basis of an analysis of a group of Danish and European pharma and biotech companies, because LifeCycle Pharma has certain characteristics of a biotech company, while at the same time with a significant shorter development phase having characteristics similar to pharmaceutical companies. On this basis the volatility has been determined to be 35%, which is the average of the selected group's volatility over 3 years. The interest rate is the bond interest rate on a 5-year government bond on the actual date of grant.

It has not been possible to determine the value of services to be provided by external consultants and advisors (other external). The value of such services has therefore been determined on the basis of the fair value of the warrants granted.

The average fair value of grants during the year amounts to DKK 13.13 per share at the date of grant.

The total cost recognized in the income statement for warrants granted is stated in the tables below:

(In thousands)	2006 DKK	2005 DKK	2006 *EUR	2005 *EUR
Employees				
- R&D	3,238	1,029	434	138
-Administration	291	166	39	22
Executive management	8,817	391	1,183	53
Board of directors	833	407	112	55
Other external	29	47	4	6
Total	**13,208**	**2,040**	**1,772**	**274**

The following table specifies vested exercisable warrants

Vested per	31 Dec 2006	31 Dec 2005
Employees		
- R&D	1,338,232	514,276
-Administration	155,408	98,960
Executive management	1,481,139	934,456
Board of directors	123,524	116,012
Other external	35,960	23,168
Total	**3,134,263**	**1,686,872**

*The figures in EUR have been translated for convenience. These figures are unaudited

The following table specifies the weighted average exercise price and expected life period:

Grant date	Grant year	Number of warrants	Weighted average exercise price (DKK)	Weighted average exercise period (months)
31 December 2004		**2,177,824**	**6.32**	**80.80**
17 March	2005	214,000	7.89	90.00
20 June	2005	38,000	22.30	87.00
21 September	2005	182,000	22.30	84.00
17 October	2005	100,000	22.30	83.00
7 November	2005	50,000	22.30	82.00
18 November	2005	120,000	22.30	82.00
12 December	2005	72,000	36.37	81.00
16 June *	2004	(40,000)	7.89	87.00
28 April *	2004	(120,000)	7.89	89.00
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
30 September*	2006	(211,250)	36.37	74.00
7 September	2006	1,120,757	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**

*Warrants from previous period cancelled/exercised in 2005 and 2006.

Note 15

Finance leases

LifeCycle Pharma has financial lease commitments regarding property, plant and equipment.
The debt for these commitments is recognized in the balance sheet. The future minimum payments and the NPV are stated below:

Minimum finance lease commitments (In thousands)	31 Dec 2006 DKK	31 Dec 2005 DKK	31 Dec 2006 *EUR	31 Dec 2005 *EUR
< 1 year	7,157	6,590	960	885
From 1 to 5 years	20,019	20,085	2,685	2,694
> 5 years	5,245	7,867	704	1,055
Total	32,421	34,542	4,349	4,634
Financing components	(1,675)	(4,218)	(225)	(566)
Total	**30,746**	**30,324**	**4,124**	**4,068**
NPV for the finance lease commitments				
< 1 year	6,081	5,044	816	677
From 1 to 5 years	19,924	17,191	2,672	2,306
> 5 years	4,741	8,089	636	1,085
Total	**30,746**	**30,324**	**4,124**	**4,068**

*The figures in EUR have been translated for convenience. These figures are unaudited

LifeCycle Pharma has the right to purchase the assets held under the finance leases on expiration of the lease agreements.
An average internal interest rate of 5.17% (in the interval 4.18% to 6.25%) 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 (In thousands)	31 Dec 2006 DKK	31 Dec 2005 DKK	31 Dec 2006 *EUR	31 Dec 2005 *EUR
Rent commitments	27,501	31,669	3,688	4,247
Operating lease commitments regarding property, plant and equipment	1,625	2,434	218	327
Total rent and operating lease commitments	**29,126**	**34,103**	**3,906**	**4,574**
Purchase obligations regarding property, plant and equipment	0	4,275	0	573
Other obligations	586	0	79	0
Total	**29,712**	**38,378**	**3,985**	**5,147**

Total rent and operating leases are due as follows: (In thousands)				
< 1 year	3,891	4,212	522	565
From 1 to 5 years	14,094	14,607	1,890	1,959
> 5 years	11,141	15,284	1,494	2,050
Total	**29,126**	**34,103**	**3,906**	**4,574**

(In thousands)	2006 DKK	2005 DKK	2006 *EUR	2005 *EUR
Expensed rent and operating leases amount to	4,928	4,424	661	593

*The figures in EUR have been translated for convenience. These figures are unaudited

Note 17

Related parties

H. Lundbeck A/S (Shareholder):
In 2002, LifeCycle Pharma entered into a transfer and license agreement with H. Lundbeck A/S, one of our principal shareholders, which gives H. Lundbeck A/S the right to purchase back patent rights granted by H. Lundbeck A/S in case of our insolvency and liquidation. The transfer and license agreement was still in force as of 31 December 2006.

From 2002 through 2005, LifeCycle Pharma leased cars and received administrative assistance from H. Lundbeck A/S, for the period 1 January to 31 December 2005 this amounted to DKK 338 thousand (EUR 45 thousand).

LifeCycle Pharma entered into an agreement with H. Lundbeck A/S concerning maintenance and service of our facilities and received maintenance and service for an amount of DKK 518 thousand (EUR 69 thousand) in the period 1 January to 31 December 2005, and for the amount of DKK 555 thousand (EUR 74 thousand) in the period 1 January to 31 December 2006.

In October 2006, LifeCycle Pharma entered into a research and development agreement with H. Lundbeck A/S whereby LifeCycle Pharma will perform research and development activities concerning the formulation of two of H. Lundbeck A/S' internal pre-clinical CNS-related projects.

At 31 December 2005 the amount due by us to H. Lundbeck A/S amounted to DKK 46 thousand (EUR 6 thousand).

At 31 December 2006 the amount due by us to H. Lundbeck A/S amounted to DKK 166 thousand (EUR 22 thousand).

Other related parties:
In May 2003, LifeCycle Pharma purchased intellectual property rights related to our self cleaning spray nozzle technology for DKK 100,000 and in connection with the purchase of these intellectual property rights entered into a license agreement with S.S.R. Stainless Steel A/S regarding the use of our self-cleaning spray nozzle tech-

nology outside the pharmaceutical area. Since 2004, Michael Wolff Jensen, our Executive Vice President and Chief Financial Officer, has been Chairman of the board of directors of S.S.R. Stainless Steel A/S.
In the period 1 January to 31 December 2005 LifeCycle Pharma paid a total of DKK 35 thousand (EUR 5 thousand) and in the period 1 January to 31 December 2006 LifeCycle Pharma paid DKK 57 thousand (EUR 8 thousand) to S.S.R. Stainless Steel A/S for purchases of manufacturing equipment.

In 2005, LifeCycle Pharma entered into an agreement with Pharmasteel A/S regarding the purchase of manufacturing equipment in the total amount of DKK 8.6 million (EUR 1.15 million). Dr. Per Holm, our Chief Scientific Officer, owns 33% of the shares in Pharmasteel A/S. In the period 1 January to 31 December 2005 LifeCycle Pharma paid a total of DKK 6,623 thousand (EUR 888 thousand), and in the period 1 January to 31 December 2006 LifeCycle Pharma paid a total of DKK 7,221 thousand (EUR 968 thousand) to Pharmasteel A/S for purchases of manufacturing equipment,

One member of our board of directors, Gérard Soula has been granted warrants to subscribe shares.

Members of the executive management and board of directors and other shareholders
The executive management and board of directors have received remuneration as described in note 5 and note 14.

Note 18

Changes in working capital

(In thousands)	2006 DKK	2005 DKK	2006 *EUR	2005 *EUR
Other receivables	(3,528)	(2,879)	(473)	(386)
Prepayments	2,019	(2,334)	271	(313)
Deferred revenue	373	0	50	0
Trade payables	1,243	7,011	167	940
Debts to shareholders	120	(501)	16	(67)
Other payables	2,889	990	387	133
Total	**3,116**	**2,287**	**418**	**307**

Note 19

Fees to auditors appointed by the annual general meeting (In thousands)	2006 DKK	2005 DKK	2006 *EUR	2005 *EUR
PricewaterhouseCoopers:				
Audit	345	118	46	16
Other services	2,926	705	393	95
Total	**3,271**	**823**	**439**	**111**

*The figures in EUR have been translated for convenience. These figures are unaudited

BIOGRAPHIES OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

Board of directors

Dr. Claus Braestrup, Chairman

Dr. Braestrup is currently President and CEO of H. Lundbeck A/S.

Before his appointment to CEO in 2003 he was Executive Vice President, Research and Development at H. Lundbeck A/S after joining the company in 1998.

Previously, Dr. Braestrup was a research scientist at St. Hans Mental Hospital's Department of Biochemistry/Neuro-chemistry between 1971 and 1978, a research chemist and later a consultant at A/S Ferrosan's Biochemical Department 1978 to 1984, and a research associate at St. Hans Mental Hospital from 1980 to 1984. He was Vice President of Pharmaceutical Research, President of the CNS Division, and President of the Diabetes Care Division, respectively, at Novo Nordisk A/S from 1984 to 1994. He was Head of Preclinical Drug Research with Schering AG in Berlin from 1994 to 1998.

Dr. Braestrup holds a master's degree in Chemical Engineering (1967) and is Master of Science in Biochemistry (1971). He became Doctor of Medical Science in 1980 and was Adjunct Professor in Neurobiology at the University of Copenhagen in 1988-1993.

Dr. Braestrup is a member of the board of directors of the Lundbeck International Neuroscience Foundation, a registered manager of Kastan ApS and a member of the board of directors of Santaris Pharma A/S

Kurt Anker Nielsen

Mr. Nielsen is former CFO and deputy CEO of Novo Nordisk A/S (1989 to 2000) and co-CEO of Novo A/S (2000 to 2003).

He currently serves as chairman of the board of directors of Reliance A/S, vice chairman of the board of directors of Novozymes A/S and Dako A/S, board member of Novo Nordisk Foundation, Novo Nordisk A/S, ZymoGenetics, Inc., Norsk Hydro AS and Vestas Wind Systems A/S. In the five last-mentioned companies, Mr. Nielsen is also elected as Audit Committee chairman. Mr. Nielsen is also designated as Audit Committee financial expert in Novo Nordisk A/S, Norsk Hydro AS and ZymoGenetics, Inc. He is also chairman of the board of Collstrup's Mindelegat.

Mr. Nielsen received his Master's of Commerce and Business Administration from the Copenhagen Business School in 1972.

Dr. Thomas Dyrberg, MD

Dr. Dyrberg has served as a Partner at Novo Ventures, Novo A/S, a Danish firm that provides venture capital for life science companies, since December 2000.

Prior to joining Novo A/S, he served in various research and development positions at Novo Nordisk A/S, the Hagedorn Research Institute, Gentofte, Denmark and the Scripps Research Institute, La Jolla, California.

Dr. Dyrberg received both an M.D. and a D.M.Sc. degree from the University of Copenhagen. He currently serves on the board of directors of Biomimetics Therapeutics, Inc., Sapphire Therapeutics, Inc. and Lux Biosciences, Inc.

Dr. Jean Deleage

Dr. Jean Deleage 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.

In 1979, Dr. Deleage was a founder and a managing partner of Burr, Egan, Deleage & Co., a venture capital firm in San Francisco and Boston. In 1971, he became a member of Sofinnova's initial team, a venture capital organization in Paris, and in 1976 formed Sofinnova, Inc. (the US subsidiary of Sofinnova).

He holds a Master's Degree in Electrical Engineering from Ecole Superieure d'Electricite in 1962 and a Ph.D. in Economics from the Sorbonne in 1964.

Dr. Deleage serves on the board of IDM Pharma, Inc., Kosan Biosciences Incorporated, Rigel Pharmaceuticals, Inc., 7TM A/S, Innate Pharma SA, Intarcia Therapeutics, Inc., Nereus Pharmaceuticals, Inc., PamGene B.V., Plexxikon, Inc., Torrey Pines Therapeutics, Inc. and U3 Pharma AG.

Name, age and degree	Year of election	Position
Dr. Claus Braestrup (62) MS, MD	2006	Chairman
Kurt Anker Nielsen (61) MSc	2006	Member
Dr. Thomas Dyrberg (52) MD, DMSc	2003	Member
Dr. Jean Deleage (66) MS, PhD	2005	Member
Dr. Gérard Soula (61) PhD, MBA	2005	Member

All members of the board of directors are up for election in 2007

During 2006 the board of directors held 17 meetings either as face-to-face meetings, telephone meetings or by way of written resolutions.

BIOGRAPHIES OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

Dr. Gérard Soula
Dr. Soula founded and is presently the president and CEO of Proteins & Peptides Management S.A.S., a French company.

Dr. Soula was the President and Chief Executive Officer of Flamel Technologies from its inception in 1990 to 2005.

Prior to founding Flamel Technologies, Dr. Soula served in various positions at Rhone Poulenc Group (now known as Aventis) from 1973 to 1990 including Director of Scientific Research.

Dr. Soula received his M.B.A. from the Institut d'Administration d'Enterprises, Aix-Marseille and his Ph.D. from the University of Marseille.

The business address for the members of the board is
c/o LifeCycle Pharma A/S
Kogle Allé 4
DK-2970 Hørsholm
Denmark

Executive Officers

Flemming Ørnskov
President and Chief Executive Officer
Dr. Flemming Ørnskov has served as our CEO since September 2006. From September 2005 to September 2006 he was a director and chairman of our board of directors. Previously, since October 2005 and until September 2006, Dr. Ørnskov was President and CEO of Ikaria, Inc., a Seattle-based, privately held biotech company. Prior to this he was the President of the Ophthalmics Business Unit at Novartis from January 2003 until September 2005, and the Vice President, Head of the US CV Therapeutic Franchise for Novartis from 2001 to 2002. Prior to his service at Novartis, Dr. Ørnskov worked for Merck & Co., Inc. as Outcomes Research Department Senior Manager and Associate Director from 1994 to 1996, Senior Marketing Manager from 1996 to 1997, Marketing Director from 1997 to 1998, as Manager from 1998 to 2000, as Senior Marketing Director from 2000 to 2001, and as Urology Franchise Business Group Leader in 2001. Dr. Ørnskov received his M.D. degree from University of Copenhagen, his M.B.A. degree from INSEAD and his Master of Public Health degree from Harvard University.

Michael Wolff Jensen
Executive Vice President and Chief Financial Officer
Michael Wolff Jensen has served as our CFO since 2003. Previously, he was Senior Vice President and Chief Financial officer of Genmab A/S, a Danish publicly held biotechnology company. At Genmab, Mr. Wolff Jensen was part of the senior management team that integrated a successful business strategy resulting in one of the largest listings to date for a European biotech company by raising more than DKK 1.5 billion. At Genmab, Mr. Wolff Jensen was responsible for finance, legal, intellectual property, human resource and general operations in Denmark, the Netherlands and the US. Further, Mr. Wolff Jensen has extensive experience in mergers, acquisitions, private placements and listings gained during his tenure as a lawyer.

Mr. Wolff Jensen received his Master of Law from the University of Copenhagen in 1997. Mr. Wolff Jensen is chairman of the board of directors of S.S.R. Stainless Steel A/S.

LifeCycle Pharma A/S
Kogle Allé 4
DK-2970 Hørsholm
Denmark

Tel. +45 70 33 33 00
Fax +45 36 13 03 19
info@lcpharma.com
www.lcpharma.com

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